

State of Alabama

Comprehensive Annual Financial Report



For the Fiscal Year Ended September 30, 2010

Front cover: A female monarch butterfly, *danaus plexippus*. The monarch butterfly was designated as the official insect of the State of Alabama by the state legislature in 1989.

Comments concerning this report should be addressed to:
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Financial Reporting Section
RSA Union, Suite 206
Montgomery, AL 36130-2602

STATE OF ALABAMA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
September 30, 2010



Bob Riley
Governor

Kay Ivey
State Treasurer

Bill Newton
Acting Director of Finance

Samantha Shaw
State Auditor

Prepared by the
Department of Finance, Office of the State Comptroller
Thomas L. White, Jr. • State Comptroller

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STATE OF ALABAMA

INTRODUCTORY SECTION



STATE OF ALABAMA
Department of Finance
Office of the State Comptroller

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Robert Bentley
Governor

David A. Perry
Director of Finance

Thomas L. White, Jr.
State Comptroller

Janice A. Hamm
Deputy State Comptroller

March 31, 2011

To the Honorable Governor,
Members of the State Legislature, and
the Citizens of Alabama:

I am pleased to submit to you the Comprehensive Annual Financial Report (CAFR) for the State of Alabama for the year ended September 30, 2010. I believe the information as presented is accurate in all material respects and complies with Article IV, Section 72 of the *Constitution of Alabama of 1901* and Section 41-4-3(4) of the *Code of Alabama 1975*, as amended. The completeness and fairness of the presentation, including all disclosures, rests with the State's management. This report complies with Article V, Section 137 of the *Constitution of Alabama of 1901* and Section 36-16-1(6) of the *Code of Alabama 1975*, as amended, as the financial report for the State Auditor, State Treasurer, and State Comptroller.

Introduction to the Report

Internal Controls

The internal controls in the State's accounting system have been designed to comply with Alabama statutes requiring the audit of receipts and receivables; the determination of legality and correctness of each claim and expenditure; and that funds are appropriated, allotted, and on deposit in the State Treasury before any warrant is issued. The internal controls include manual pre-audit and automated system edits. As an additional control, the State Auditor's Office is responsible for a post-audit of the accounts and records of the Department of Finance and the State Treasurer's Office. These internal accounting controls provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss or unauthorized disposition and the reliability of the financial records from which the financial reports are prepared. The concept of reasonable assurance recognizes that the cost of a control should not exceed the resulting benefits.

Audit

This CAFR has been audited by the Department of Examiners of Public Accounts. The Examiners conducted their audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The Examiners' unqualified opinion appears at the beginning of the financial section of this report. The State will also undergo an audit of federal programs to conform to the requirements of the *Single Audit Act Amendments of 1996* and the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Information relating to the single audit, including the schedule of expenditures of federal awards, and audit findings and recommendations, is issued in a separate report and will be available at a later date from the Department of Examiners of Public Accounts.

Management's Discussion and Analysis

Governmental Accounting Standards Board (GASB) Statement No. 34 requires that management provide a narrative introduction, overview and analysis to accompany the Basic Financial Statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is intended to complement MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report. The MD&A provides an overview of the State's financial activities addressing both governmental and business-type activities reported in the government-wide financial statements. In addition, the MD&A focuses on the State's major funds, such as the General Fund, Education Trust Fund, Alabama Trust Fund, and Unemployment Compensation Trust Fund.

Profile of the Government

Reporting Entity

This report presents financial information on all of State government as a single reporting entity. While state law allows many state organizations to operate largely independent of the daily central control and scrutiny of the Department of Finance, State Auditor, and State Treasurer, this report combines the financial data of all state organizations in order to present a comprehensive picture of state finances. The numerous departments, agencies, elected officials, boards, commissions, authorities, colleges, universities, and other organizational units of the State are included in this report in accordance with standards established by the Governmental Accounting Standards Board. These standards make a distinction between organizations which are considered to be part of the primary government of the State and those which are component units. A component unit is defined as a legally separate corporate entity for which the State is considered to be financially accountable. The criteria used to determine financial accountability include the appointment of a majority of the governing board, the ability of the State to impose its will on the organization, and the potential for the organization to be a financial benefit or financial burden to the State. The State is also considered financially accountable for any organization having an independently appointed board if that organization is fiscally dependent on the State. An organization is fiscally dependent if it is unable to adopt a budget, set rates or charges, or issue bonded debt without the approval of the State. Component units can be reported as if they are a part of the primary government ("blended presentation") if they provide services solely to the government, but most of the State's component units do not and are therefore presented separately ("discrete presentation") in these financial statements. The largest of the blended component units includes the Federal Aid Highway Finance Authority, State Parks Improvement Corporation, and the Building Renovation Finance Authority. The major discretely presented component units are the Alabama Public School and College Authority, the Department of Mental Health, the Alabama Housing Finance Authority, the Alabama Water Pollution Control Authority, The Public Education Employees' Health Insurance Board, the State Employees' Health Insurance Board, the University of Alabama, Auburn University, and the University of South Alabama. Note 1 to the financial statements provides a more complete description of the State's reporting entity.

Budgetary Controls

Budgetary control is exercised through the Executive Budget Office of the Department of Finance based on the Appropriation Acts of the State Legislature. Alabama's annual Appropriation Acts include legally adopted budgets for the General Fund, the Education Trust Fund, and other budgeted funds. The Appropriation Acts identify the source of funding and the programmatic (functional) areas for which expenditures are authorized. Both the *Constitution of Alabama of 1901* and the statutes require a balanced budget for annual financial operations. In the event that revenue collections do not meet budget projections, the Governor is required to prorate appropriations and restrict allotments to prevent an overdraft in any fiscal year for which appropriations are made. Allotments of appropriations are made quarterly based on plans of operations submitted by the departments and agencies. These appropriations and allotments are enforced by automated edits that prevent allotments in excess of appropriations and expenditures in excess of allotments. Encumbrance accounting is utilized as purchase orders are issued to insure that purchase orders plus expenditures do not exceed allotment balances. Controls are further tightened at fiscal year-end by verifying that the total of purchase orders plus expenditures plus any obligations (accounts payable) incurred against fiscal year appropriations do not exceed allotments, and remaining allotments do not exceed cash in the Treasury.

Cash Controls

The State's controls on cash are fiscally very conservative. Constitutional Amendment 26 prohibits the State Comptroller from drawing warrants on the State Treasury unless there is money on hand to cover those warrants. This is more restrictive at the end of the fiscal year when obligations (encumbrances and accounts payable) cannot exceed the available cash balance (cash less warrants payable). This control is enforced by automated edits and tends to result in positive fund balances, even when generally accepted accounting principles (GAAP) basis accruals are made in the financial statements. Compliance with Amendment 26 is demonstrated in the following exhibits for the General Fund and the Education Trust Fund.

Summary of Receipts, Disbursements, and Cash Balances
General Fund
Last Five Fiscal Years - Cash Basis (Treasury Cash Only)
(Amounts in Thousands)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Beginning Cash Balance, October 1	\$ 187,281	\$ 264,727	\$ 286,670	\$ 325,122	\$ 214,652
Receipts	1,428,089	1,602,572	1,814,313	1,634,581	1,656,451
Disbursements	1,479,702	1,680,018	1,836,256	1,673,033	1,545,981
Net Increase (Decrease) in Cash Balance	(51,613)	(77,446)	(21,943)	(38,452)	110,470
Ending Cash Balance, September 30	135,668	187,281	264,727	286,670	325,122
Cash Balance Reserved for Obligations	40,974	46,971	44,424	46,335	60,686
Unobligated Cash Balance, September 30	\$ 94,694	\$ 140,310	\$ 220,303	\$ 240,335	\$ 264,436

Summary of Receipts, Disbursements, and Cash Balances
Education Trust Fund
Last Five Fiscal Years - Cash Basis (Treasury Cash Only)
(Amounts in Thousands)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Beginning Cash Balance, October 1	\$ 51,280	\$ 48,003	\$ 315,967	\$ 739,687	\$ 587,114
Receipts	5,217,470	5,679,120	6,414,631	5,854,027	5,498,362
Disbursements	5,188,218	5,675,843	6,682,595	6,277,747	5,345,789
Net Increase (Decrease) in Cash Balance	29,252	3,277	(267,964)	(423,720)	152,573
Ending Cash Balance, September 30	80,532	51,280	48,003	315,967	739,687
Cash Balance Reserved for Obligations	68,759	51,280	48,003	35,922	44,632
Unobligated Cash Balance, September 30	\$ 11,773	\$ -	\$ -	\$ 280,045	\$ 695,055

General Fund and Education Trust Fund Balances

The fund balances for the General Fund and the Education Trust Fund for the last five fiscal years are presented in the following table. The fiscally conservative nature of Amendment 26 tends to produce positive fund balances every year. However, in 2009 the Education Trust Fund used the provisions of Amendment 803 to the *Constitution of Alabama of 1901* to borrow \$437.4 million from the Alabama Trust Fund in order to avoid deeper cuts from proration. The full amount of the loan remains outstanding in 2010, leaving the Education Trust Fund with a deficit fund balance the past two years.

FUND BALANCES - GAAP Basis
(Amounts in Millions)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
General Fund	\$ 82.9	\$ 222.1	\$ 381.7	\$ 404.8	\$ 404.7
Education Trust Fund	(244.5)	(221.5)	186.8	528.4	1,029.5

Cash Management

The State Treasurer has the responsibility for the investment of cash balances. In accordance with statutory requirements, treasury cash may be invested in time deposit open accounts, or demand accounts held in Alabama banks, or repurchase agreements, U.S. Treasury securities and Agency securities.

The State Treasurer has placed considerable emphasis on cash management. In cooperation with state agencies, the receiving of funds into the State Treasury is expedited, with all excess funds earning interest. Interest earnings during the 2010 fiscal year were as follows:

Bank Deposits	\$ 8.9 million
US Treasury and Agency Securities	\$ 14.4 million

Interest income is deposited in the State's General Fund to be appropriated by the State Legislature for government operations. In addition to the management of the investment of these funds, the State Treasurer initiates investments for several state agencies, with interest earnings being credited to those agencies.

Economic Condition and Outlook

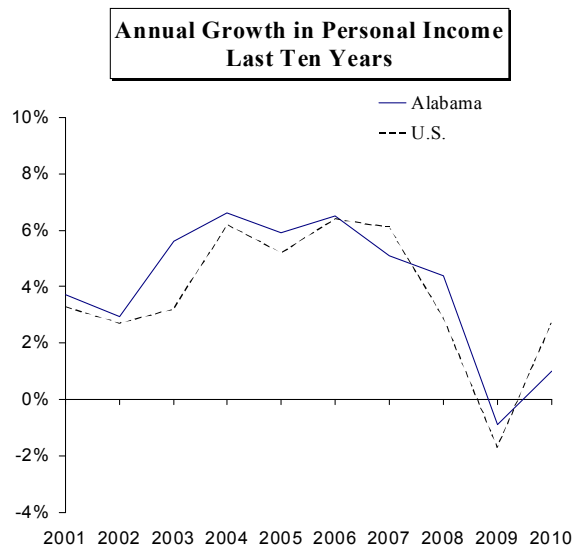
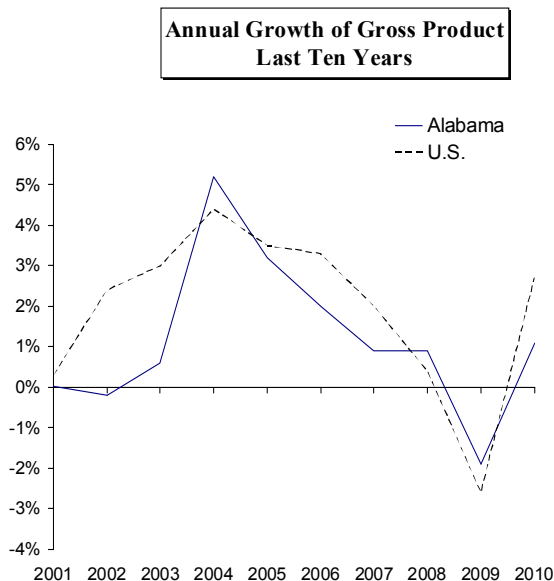
Alabama's economy exhibited signs of recovery in 2010. This is attributable to gains in exports as well as net positive job creation. Alabama's gross domestic product (ALGDP) rose by 2.2 percent. The State's unemployment was slightly lower than the national average in contrast to Alabama exceeding the national average in 2009. The average unemployment rate for 2010 was 9.5 percent. There was a 1.7 percent decline in the State's tax revenues; however, sales tax receipts have been gradually improving and registered a 0.9 percent increase for the fiscal year ended September 30, 2010. The lower tax revenues resulted in proration in both the General Fund and the Education Trust Fund budgets.

Alabama lost 86,300 jobs during the 12-month period ending in October 2010. All industries lost jobs except for educational and healthcare services, leisure and hospitality, and government. Sectors that shed the most jobs during the year include manufacturing, construction, financial activities, professional and business services, wholesale and retail trade, and information.

Manufacturing sector output rose by 4.2 percent during 2010, with a significant increase of 10.8 percent in motor vehicles and parts. Other contributors to the increase in the manufacturing sector output include computer and electronic products which grew by 9.5 percent and other transportation equipment by 7.8 percent. The construction sector's output grew by 2.2 percent in 2010. Several major commercial projects previously in the pipeline cushioned the slowdown in residential and commercial construction. Wholesale trade and retail trade outputs rose 1.5 percent and 3.1 percent, respectively, as sales strengthened in the latter part of 2010.

According to data from the U.S. Department of Commerce's International Trade Administration, the end of the global recession in 2009 contributed to a 27.2 percent jump in Alabama exports to \$11.2 billion for the first nine months of 2010 compared to the same period in 2009. Exports to Canada, Alabama's largest trade partner, slipped from \$2.8 billion in 2008 to \$2.6 billion in 2009, but were up 34.9 percent for the first three quarters of 2010. Other major export destinations for Alabama products included Germany, Mexico, China, Japan, the United Kingdom, and Brazil. For the first three quarters of 2010, transportation equipment exports amounted to \$3.7 billion, a 30.4 percent increase from the same period in 2009. Other major exports during the first three quarters of 2010 were chemicals, minerals and ores, machinery, paper products, primary metals, and computers and electronic products.

Alabama's economy is expected to improve considerably in 2011 with a 3.5 percent increase in output. Non-agricultural employment will experience a slight gain of 0.7 percent; however, the unemployment rate will still remain fairly high. Tax revenues are projected to rise 1.2 percent in fiscal year 2011 if the state continues to improve at the pace expected. Large manufacturing and services employers will be the major economic drivers in 2011. These include firms in industries such as aerospace and defense (both private and the major government facilities), automotive, steel, utilities, and the state's major universities.



Source: Center for Business and Economic Research, University of Alabama
University Outreach, Auburn University Montgomery

Awards

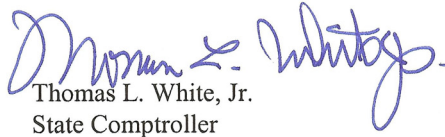
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Alabama for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2009. This was the twelfth consecutive year that the State has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

Production of this report would not have been possible without the assistance of all state organizations which supplied financial information vital to the accuracy of this report. As we strive to produce this report in future years and to further enhance its quality, the continued support and cooperation of all agencies remain essential. I also wish to express my appreciation to the entire staff in the Division of Control and Accounts, whose daily efforts to improve the accountability of state government make the quality of this report possible.

Respectfully submitted,


Thomas L. White, Jr.
State Comptroller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Alabama

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized, handwritten signature in black ink, likely belonging to the President of the GFOA.

President

A handwritten signature in black ink that reads 'Jeffrey R. Emer'.

Executive Director

STATE OF ALABAMA

PRINCIPAL STATE OFFICIALS

September 30, 2010

EXECUTIVE BRANCH

Bob Riley
Governor

Jim Folsom, Jr.
Lt. Governor

Kay Ivey
State Treasurer

Beth Chapman
Secretary of State

Ron Sparks
Commissioner of Agriculture
and Industries

Troy King
Attorney General

Samantha Shaw
State Auditor

JUDICIAL BRANCH

Sue Bell Cobb
Chief Justice of the Supreme Court

Justices of the Supreme Court

Glenn Murdock

Patricia M. Smith

Michael F. Bolin

Champ Lyons, Jr.

Greg Shaw

Lyn Stuart

Thomas A. Woodall

Tom Parker

LEGISLATIVE BRANCH

Rodger M. Smitherman
Senate President, Pro Tempore

Seth Hammett
Speaker of the House

Ronald L. Jones
Examiners of Public Accounts

Joyce Bigbee
Legislative Fiscal Office

Jerry Bassett
Legislative Reference Service

EXECUTIVE BRANCH DEPARTMENTS

Bill Newton
Department of Finance

Emory Folmar
ABC Board

Neal Wade
Alabama Development Office

Irene Collins
Department of Senior Services

John D. Harrison
State Banking Department

Barnett Lawley
Department of Conservation
and Natural Resources

Col. J. Christopher Murphy
Department of Public Safety

James K. Lyons
Alabama State Port Authority

Cynthia S. Dillard
Board of Pardons and Paroles

Doni Ingram
ADECA

Adjutant General Abner C. Blalock
State Military Department

Nancy Buckner
Department of Human Resources

Jim Bennett
Department of Labor

John Houston
Department of Mental Health

Lee Sentell
Tourism Department

Dr. Marquita Davis
Department of Children's Affairs

Richard Allen
Department of Corrections

Brock Long
Emergency Management Agency

Joe McInnes
Department of Transportation

Tom Surtees
Department of Industrial
Relations

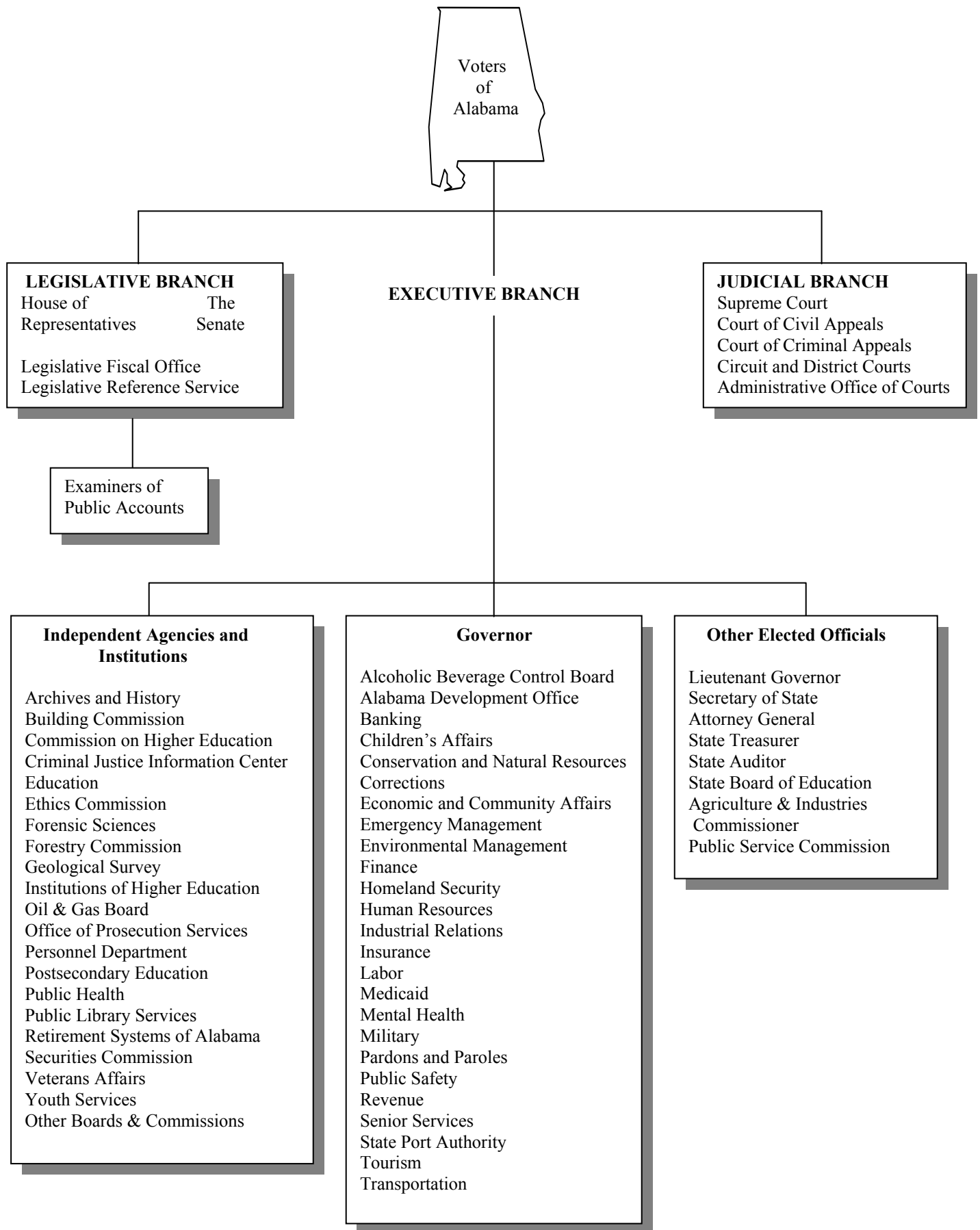
Carol H. Steckel
Alabama Medicaid Agency

Cynthia Underwood
Department of Revenue

Jim L. Ridling
Department of Insurance

Jim Walker
Office of Homeland Security

ORGANIZATION CHART





Ronald L. Jones
Chief Examiner

State of Alabama Department of Examiners of Public Accounts

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Alabama, as of and for the year ended September 30, 2010, which collectively comprise the State of Alabama's basic financial statements listed in the table of contents. These financial statements are the responsibility of the State of Alabama Department of Finance and management of the State of Alabama. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain agencies and funds. These agencies and funds reflect the following percentages of total assets and revenues or additions of the indicated opinion units:

Opinion Unit and Related Agencies/Funds Audited by Other Auditors	Percent of Opinion Unit's Total Assets	Percent of Opinion Unit's Total Revenues/Additions
Governmental Activities: Alabama Educational Television Foundation Authority Alabama Public Health Care Authority	0.11%	0.05%
Business-Type Activities: Alabama Health Insurance Plan Alabama State Port Authority	32%	5%
Aggregate Discretely Presented Component Units: State Employees' Insurance Board Public Education Employees' Health Insurance Fund Alabama Housing Finance Authority Alabama Water Pollution Control Authority Space Science Exhibit Commission Alabama Drinking Water Finance Authority Alabama Higher Education Loan Corporation University of Alabama Auburn University University of South Alabama University of Montevallo	81%	75%

Opinion Unit and Related Agencies/Funds Audited by Other Auditors	Percent of Opinion Unit's Total Assets	Percent of Opinion Unit's Total Revenues/Additions
Proprietary/Enterprise Fund: Alabama State Port Authority	100%	100%
Aggregate Remaining Fund Information: Retirement Systems of Alabama Employees' Savings Plans (PEIRAF and RSA-1) Retired Education Employees' Health Care Trust Retired State Employees' Health Care Trust Prepaid Affordable College Tuition Program Alabama Educational Television Foundation Authority Alabama Health Insurance Plan Alabama Public Health Care Authority	90%	47%

The financial statements of these agencies and funds were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those financial statements, are based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Retirement Systems of Alabama, the Employees' Savings Plans (Public Employees' Individual Retirement Account Fund and the RSA-1 Deferred Compensation Plan), the Public Education Employees' Health Insurance Fund, the State Employees' Insurance Board, the Retired Education Employees' Health Care Trust, the Retired State Employees' Health Care Trust, and the Alabama Higher Education Loan Corporation were not audited in accordance with ***Government Auditing Standards***. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Alabama as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with ***Government Auditing Standards***, we have also issued our report dated March 31, 2011, on our consideration of the State of Alabama's internal control over financial reporting and our tests of the State of Alabama's compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, and the other Required Supplementary Information, listed in the accompanying table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Management's Discussion and Analysis and the other Required Supplementary Information. However, we did not audit the information and do not express an opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Alabama's basic financial statements. The introductory section, the combining and individual fund statements and schedules, and the statistical section, listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



RONALD L. JONES

Chief Examiner

Department of Examiners of Public Accounts

March 31, 2011



MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a narrative overview and analysis of the financial activities of the State of Alabama for the fiscal year ended September 30, 2010. Please consider the information presented here in conjunction with the letter of transmittal, which is located in the Introductory Section of this report, and the State's financial statements, which immediately follow this discussion and analysis.

Financial Highlights

- The State's net assets increased by \$462 million during fiscal year 2010. The assets of the State exceeded its liabilities at the close of the fiscal year by \$23.7 billion (*net assets*). Of this amount, \$19.4 billion was invested in capital assets (net of related debt), and \$3.1 billion was in the Alabama Trust Fund Capital.
- The Change in Net Assets in governmental activities was \$534 million.
- Governmental activities have \$3.2 billion in investments, \$2.5 billion of which is held in the Alabama Trust Fund.
- Grant revenues increased \$2.1 billion as federal stimulus money flowed into the State
- Tax receipts were down for the second year, this time by \$123 million, or 1.7 percent as the economy remained in a downturn.
- While federal programs swelled from federal stimulus money, the low tax receipts resulted in General Fund and Education Trust Fund proration.
- Investment earnings were \$318 million, an improvement over last year's \$259 million earnings.
- The business-type activities reported net assets at year-end of \$1.1 billion, a decrease of \$72 million for the fiscal year. This decrease was primarily from rising unemployment benefit payments.
- The State's total bond debt at the end of the fiscal year was \$1.68 billion, an increase of \$76 million, which represents the net difference between new issuances and payments and refundings of outstanding debt.
- During the year the State issued \$110 million in new general obligation bonds and \$112 million in general obligation refunding bonds. The State made payments on general obligation bonds of \$26 million during the year. The State issued \$34 million in new revenue bonds and \$27 million in refunding revenue bonds.
- As of the close of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$5.1 billion, an increase of \$375 million from last year. Approximately \$1.5 billion of the fund balance is unreserved, undesignated fund balance.
- On a budgetary basis, General Fund expenditures and other uses exceeded revenues and other sources by \$44 million. However, on a GAAP (Generally Accepted Accounting Principles) basis, General Fund expenditures and other uses exceeded revenues and other sources by \$139 million. The Budgetary Comparison Schedule in Required Supplementary Information reconciles these amounts and lists the accounting basis differences.

Overview of the Financial Statements

This discussion and analysis is an introduction to the State of Alabama's basic financial statements. The State's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The *government-wide financial statements* provide a broad overview of the State's financial position and activities measured in a manner similar to a private-sector business. Assets, liabilities, revenues, expenses, gains, and losses are measured and reported using the economic resources measurement focus and accrual basis of accounting. The government-wide financial statements exclude fiduciary activities.

The *Statement of Net Assets* presents information on all of the State's assets and liabilities at the end of the fiscal year. The difference between the State's assets and its liabilities is its net assets. Increases or decreases in net assets from year to year may serve as a useful indicator of whether the financial position of the State is improving or not.

The *Statement of Activities* presents information showing how the State's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the State that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of

their costs through user fees and charges (*business-type activities*). The governmental activities of the State include general government, economic development and regulation, education and cultural resources, natural resources and recreation, health- physical and mental, social services, protection of persons and property, and transportation. Examples of business-type activities of the State are operation of the State's system of community and technical colleges, unemployment compensation services, operation of facilities for the distribution and sale of alcoholic beverages, and services for shippers at the Port of Mobile.

The government-wide financial statements include not only the State of Alabama itself (known as the *primary government*), but also legally separate *component units* for which the State is financially accountable. The major *component units* include the Public School and College Authority, Housing Finance Authority, State Employees' Insurance Board, Public Education Employees' Health Insurance Board, Water Pollution Control Authority, Department of Mental Health, University of Alabama, Auburn University, and University of South Alabama. Financial information for the *component units* is reported in a separate column from the financial information presented for the primary government. The government-wide financial statements can be found immediately following this discussion and analysis.

Fund Financial Statements

A *fund* is a fiscal and accounting entity with a self-balancing set of accounts that the State uses to keep track of specific sources of funding and spending for a particular purpose. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the State can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds

Most of the State's basic services are reported in governmental funds. The governmental fund financial statements focus on near-term inflows and outflows of resources of these funds and the balances of those resources available at year-end. These funds are measured and reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances are followed by a reconciliation to the government-wide statements.

The types of funds which are categorized as governmental funds are the General Fund, special revenue funds, capital projects funds, debt service funds, and permanent funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Alabama Trust Fund, Education Trust Fund, Public Road and Bridge Fund, Public Welfare Trust Fund, and Alabama Medicaid Fund, all of which are considered to be major funds. Data from the nonmajor governmental funds are combined into a single aggregated column on the basic financial statements. Individual fund data for each of the nonmajor governmental funds can be found in the combining and individual fund statements and schedules section of this report.

Proprietary funds

Services for which the State charges customers a fee are generally reported in proprietary funds. The State maintains two different types of proprietary funds: enterprise funds and internal service funds. Like the government-wide statements, proprietary funds use the accrual basis of accounting.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. These funds report activities that provide supplies and services to the general public in a manner similar to private business enterprises. The major enterprise funds are the Unemployment Compensation Trust, State Port Authority, Alabama College System, and the Alcoholic Beverage Control Board. Individual fund data for each of the nonmajor enterprise funds can be found in the combining and individual fund statements and schedules section of this report.

Internal service funds report activities that provide supplies and services to other state agencies on a cost-reimbursement basis. These funds are reported as governmental activities on the government-wide financial statements. These funds provide computer services, information technology, telecommunications, rental of office buildings, janitorial services, building maintenance, manufacturing activities, and liability protection. The internal service funds are aggregated in a single column on the proprietary fund statements.

Fiduciary funds

The State acts as a trustee or fiduciary for its employee pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The State's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. These funds, which include pension and other employee benefits, private-

purpose, and agency funds are reported using accrual accounting. The government-wide financial statements exclude fiduciary fund activities and balances because the resources of those funds are not available to support the State's own programs.

Notes to the Financial Statements

The notes to the financial statements are an integral part of the financial statements. They explain amounts shown in the financial statements and provide additional information that is essential to the fair presentation of the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* which includes (1) budgetary comparison schedule reconciling the budgetary fund balances and generally accepted accounting principles fund balances at fiscal year-end, (2) ten year loss development information for the State Insurance Fund, (3) a schedule of funding progress for the Employees' Retirement System, (4) a schedule of funding progress for the Retired State Employees' Health Care Trust, and (5) information about infrastructure assets reported using the modified approach.

Other Supplementary Information

Other supplementary information includes combining financial statements for nonmajor governmental funds, nonmajor enterprise funds, internal service funds, fiduciary funds, and nonmajor discretely presented component units. These funds are added together by fund type and presented in single columns in the basic financial statements.

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. The State's combined assets exceeded liabilities by \$23.7 billion as of September 30, 2010.

The largest component (82 percent) of the State's net assets reflects its investment in capital assets, such as land, buildings, equipment, and infrastructure (e.g., roads, bridges, tunnels), less any related debt used to acquire those assets that is still outstanding. The State uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. Capital Assets increased \$395 million. Of that amount \$314 million was infrastructure and infrastructure construction in progress.

Current and Other Assets increased \$714 million, or 9.5%. Included in that amount was an increase in cash and cash equivalents of \$428 million and an increase in investments of \$137 million. \$57 million of the investment increase was an increase in funds required by law to be set aside and invested for capital grants to cities and counties.

Long-term liabilities increased 10.5 percent, or \$238 million. The largest components of this increase were \$82 million in general obligation bonds, \$67 million in capital leases and notes payable, and \$100 million for post-employment health care benefits. Other Liabilities for business-type activities increased by \$263 million, or 109.5 percent, primarily because of Federal Unemployment Trust Fund advances reported in Due to Other Governments.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or legislative restrictions on how they may be used. Internally imposed designations of resources are not presented as restricted net assets. The State's net assets that are unrelated to capital assets include \$5.0 billion in restricted net assets. Unrestricted net assets represent the remaining amount of net assets that may be used to meet the State's ongoing obligations that are not funded by resources that are restricted. The State has a deficit in unrestricted net assets of \$677 million. Unrestricted net assets for governmental activities are a deficit of \$821 million, while business-type activities have a positive balance in unrestricted net assets of \$144 million.

Net Assets as of September 30
(Amounts in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Current and Other Assets	\$ 7,440,887	\$ 6,906,106	\$ 815,240	\$ 635,541	\$ 8,256,127	\$ 7,541,647
Capital Assets	18,958,959	18,598,291	1,504,016	1,469,216	20,462,975	20,067,507
Total Assets	<u>26,399,846</u>	<u>25,504,397</u>	<u>2,319,256</u>	<u>2,104,757</u>	<u>28,719,102</u>	<u>27,609,154</u>
Long-term Liabilities	1,815,599	1,600,702	687,653	664,653	2,503,252	2,265,355
Other Liabilities	1,973,233	1,826,337	503,288	240,283	2,476,521	2,066,620
Total Liabilities	<u>3,788,832</u>	<u>3,427,039</u>	<u>1,190,941</u>	<u>904,936</u>	<u>4,979,773</u>	<u>4,331,975</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	18,552,286	18,184,809	881,681	867,292	19,433,967	19,052,101
Restricted	4,879,585	4,448,305	102,653	92,470	4,982,238	4,540,775
Unrestricted	(820,857)	(555,756)	143,981	240,059	(676,876)	(315,697)
Total Net Assets	<u>\$ 22,611,014</u>	<u>\$ 22,077,358</u>	<u>\$ 1,128,315</u>	<u>\$ 1,199,821</u>	<u>\$ 23,739,329</u>	<u>\$ 23,277,179</u>

The table on the following page was derived from the government-wide Statement of Activities. As a result of the excess of expenses over revenues, the State's net assets increased by \$462 million during fiscal year 2010. Taxes provided \$7.2 billion, or approximately 33 percent, of the State's total revenue. Tax revenues decreased \$123 million, or 1.7 percent, compared to the previous year as the economy was in recession for the early part of the fiscal year. Despite the drop in tax revenues, overall revenue increased \$2.4 billion, or 12.1%. Operating Grants and Contributions revenue increased \$2.0 billion, or 24.7 percent, because of the increase in federal grant receipts from the federal stimulus programs. Grants and contributions not restricted to specific programs rose from \$785,000 to \$40.3 million primarily as a result of a \$39.1 million federal bonus award for outstanding performance in the State's Medicaid program. Investment earnings were \$318 million, an improvement over last year's \$259 million. Charges for Services revenue increased \$92 million, or 4.3 percent.

The increase in federal dollars enabled total expenses to increase by \$1.6 billion, or 8.1 percent in 2010. Spending increased significantly in most areas. Health increased \$588 million, or 10.6 percent, as expenses for Medicaid surged \$504 million, or 11.3 percent. A total of \$6.1 billion, or 29 percent of all expenses, was spent on Health, which included \$5 billion spent in Medicaid programs. Social Services was up \$386.9 million, or 19.6 percent, as high unemployment increased expenses for food assistance by \$272.6 million and the temporary assistance to needy families program increased \$49.9 million. Total Social Services spending was nearly \$2.4 billion, or 11 percent of total expenses. Transportation increased \$136 million, or 12.2 percent. General Government was up \$84 million, or 8.6 percent. Education spending, however, was fairly flat at a mere 0.6 percent increase. Education spending is funded primarily by tax revenues, which, as discussed earlier, rose only 1.7 percent. Education and Cultural Resources spending totaled \$6.4 billion, or 30 percent, of the State's total expenses, down from 32.2 percent in 2009. Economic Development and Regulation spending was down \$77 million, or 25.2 percent because the prior year included major industrial recruit grant payments to ThyssenKrupp and Goodyear.

In business-type activities, high unemployment rates and extended benefits drove spending for Unemployment Compensation up by \$317 million, a 31.5 percent increase. The expenses for the Alabama College System increased by 8.2% primarily because of increases in student aid and scholarships. The State Port Authority recognized a 3.3 percent savings in operating expenses primarily because of furloughs for the hourly workforce and attrition.

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Changes in Net Assets For the Fiscal Year Ended September 30 (Amounts in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,208,956	\$ 1,345,227	\$ 1,012,435	\$ 784,307	\$ 2,221,391	\$ 2,129,534
Operating Grants and Contributions	9,148,048	7,609,718	1,176,837	666,931	10,324,885	8,276,649
Capital Grants and Contributions	927,443	812,481	31,809	49,654	959,252	862,135
General Revenues:						
Taxes	7,188,356	7,311,874	10,558	9,930	7,198,914	7,321,804
Grants and Contributions Not Restricted to Specific Programs	40,323	785	-	-	40,323	785
Investment Earnings	315,520	245,601	2,572	13,172	318,092	258,773
Miscellaneous	879,724	711,769	11,561	12,274	891,285	724,043
Total Revenues	<u>19,708,370</u>	<u>18,037,455</u>	<u>2,245,772</u>	<u>1,536,268</u>	<u>21,954,142</u>	<u>19,573,723</u>
Expenses:						
Economic Development and Regulation	229,170	306,533			229,170	306,533
Education and Cultural Resources	6,434,312	6,393,573			6,434,312	6,393,573
Natural Resources and Recreation	149,745	113,621			149,745	113,621
Health	6,143,253	5,555,138			6,143,253	5,555,138
Social Services	2,364,313	1,977,390			2,364,313	1,977,390
Protection of Persons and Property	1,146,261	1,112,213			1,146,261	1,112,213
Transportation	1,257,094	1,120,902			1,257,094	1,120,902
General Government	1,067,587	983,451			1,067,587	983,451
Debt Service - Interest and Other Charges	47,829	51,184			47,829	51,184
Unemployment Compensation			1,323,058	1,005,780	1,323,058	1,005,780
State Port Authority			123,551	127,192	123,551	127,192
Alabama College System			897,134	829,039	897,134	829,039
Alcoholic Beverage Control Board			254,001	253,312	254,001	253,312
Nonmajor Proprietary Funds			45,639	45,339	45,639	45,339
Total Expenses	<u>18,839,564</u>	<u>17,614,005</u>	<u>2,643,383</u>	<u>2,260,662</u>	<u>21,482,947</u>	<u>19,874,667</u>
Increase (Decrease) in Net Assets						
Before Contributions and Transfers	868,806	423,450	(397,611)	(724,394)	471,195	(300,944)
Contributions to Permanent Funds & Endowments	-	-	102	71	102	71
Special Items	-	-	(9,147)	-	(9,147)	0
Transfers	<u>(335,150)</u>	<u>(357,623)</u>	<u>335,150</u>	<u>357,623</u>	<u>-</u>	<u>-</u>
Change in Net Assets	533,656	65,827	(71,506)	(366,700)	462,150	(300,873)
Net Assets- Beginning	<u>22,077,358</u>	<u>22,011,531</u>	<u>1,199,821</u>	<u>1,566,521</u>	<u>23,277,179</u>	<u>23,578,052</u>
Net Assets- Ending	<u>\$ 22,611,014</u>	<u>\$ 22,077,358</u>	<u>\$ 1,128,315</u>	<u>\$ 1,199,821</u>	<u>\$ 23,739,329</u>	<u>\$ 23,277,179</u>

Governmental Activities

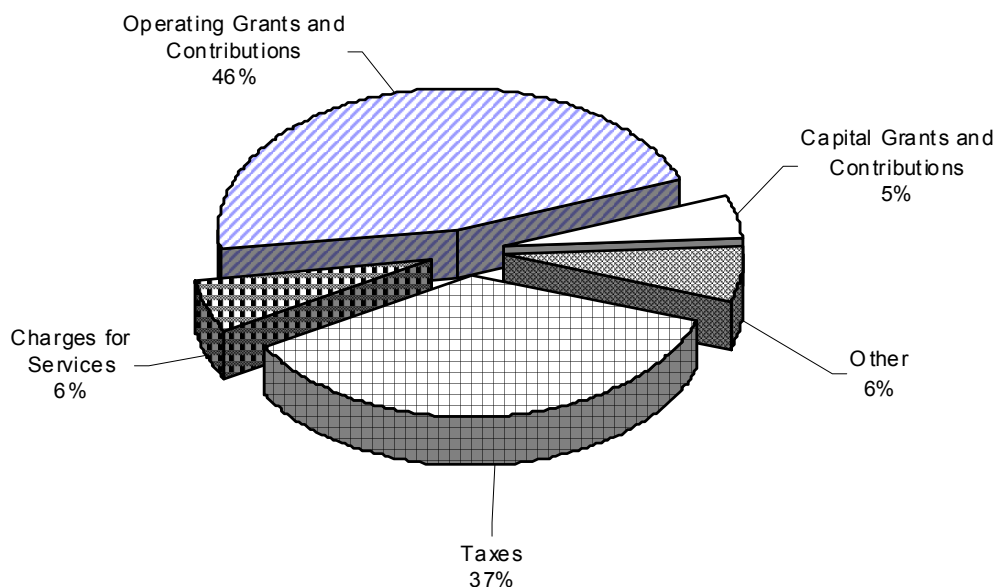
Total revenues for governmental activities in fiscal year 2010 were \$19.7 billion. Revenue is categorized as either program revenue, which is generated by the program itself or is received from another government, or general revenue. Program revenues include charges for services, operating grants and contributions, and capital grants and contributions. Operating grants and contributions along with taxes together accounted for 83 percent of governmental activities revenue.

Program revenues totaled \$11.3 billion, up from \$9.8 billion the previous year. Operating grants and contributions are the largest program revenues, and at \$9.1 billion, make up 46 percent of total governmental revenues. Operating grants and contributions grew \$1.5 billion, or 20 percent compared to the previous year, due to the influx of federal stimulus funds. Operating grants and contributions were up \$397 million to the Education Department, largely from stimulus programs. Grants for food assistance increased \$273 million while Medicaid assistance was up \$385 million. About 92 percent of operating grants and 97 percent of the capital grants were received from the Federal government. Capital grants and contributions increased \$115 million, or 14 percent, almost all of it being federal support for road and bridge construction.

Charges for services decreased \$136 million, or 10.1 percent, compared to the previous year. Of that \$136 million, \$81.8 was due to one time court settlements received in 2009, while \$38 million is attributable to a decrease in revenues from oil and gas leases. Oil and gas lease revenues often fluctuate greatly from year to year as the commodity markets go up and down.

General revenues, which include taxes, of governmental activities were \$8.4 billion, an increase of 1.9 percent. Taxes were \$7.2 billion, down from \$7.3 billion the previous year. Revenue from all tax types represents 37 percent of total governmental revenues earned during fiscal year 2010. Of the \$7.2 billion in tax revenues, the largest taxes were income taxes of almost \$3.0 billion and sales and use taxes of \$2.1 billion. Sales and use taxes were up 1.4 percent, while income taxes decreased 4.4 percent, reflecting the downturn in the economy.

Revenues - Governmental Activities
Fiscal Year Ended September 30, 2010

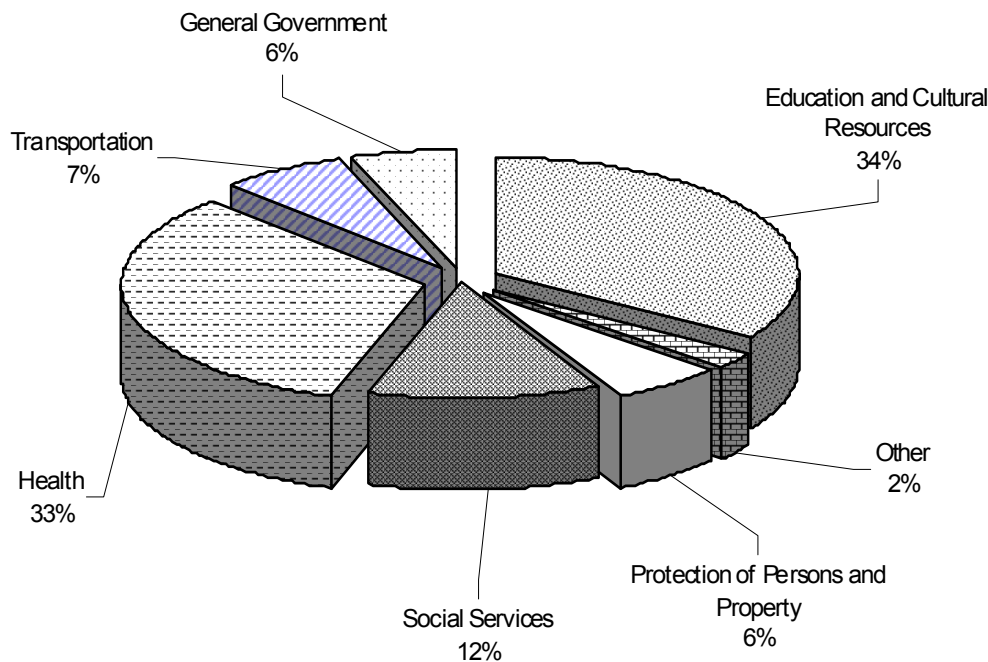


Total operating expenses for governmental activities in fiscal year 2010 were \$18.8 billion. Expenses for governmental activities are grouped by functional area. The two largest functional areas were (1) Education and Cultural Resources and (2) Health. These two areas together accounted for 67 percent of the governmental activities expenses for fiscal year 2010. Social Services accounted for 12 percent of the governmental activities expenses. Overall expenses increased by \$1.2 billion, or 7 percent.

Education spending increased 0.6 percent, or \$40.7 million, as the decrease in income tax revenue forced constitutionally mandated proration of 9.5 percent of the budget in the Education Trust Fund. Education and Cultural Resources now makes up 34 percent of governmental activity expenses, down from 36 percent last year. Within Education and Cultural, 90 percent is support for local school systems and state universities. Support for local school systems increased \$136 million, or 3.0 percent, support for universities decreased \$15 million, or 1.4 percent, and support for most other programs decreased slightly as well.

Health accounted for 33 percent of governmental activity spending, up slightly from 32 percent last year. The Medicaid program accounts for 82 percent of Health spending and the Department of Public Health accounts for 11 percent.

Expenses - Governmental Activities Fiscal Year Ended September 30, 2010



Business-type Activities

The largest business-type activity is the Alabama College System, which accounts for 85.6 percent of business-type net assets. The other major business-type activities are the Alabama Port Authority, the Alcoholic Beverage Control Board, and the Unemployment Compensation Trust. In fiscal year 2010 the net assets of business-type activities decreased by \$72 million. The largest change occurred in the Unemployment Compensation Trust fund, where the decrease in net assets was \$131 million. The high unemployment rates and federal extended benefits increased unemployment benefit payments by \$314 million. The Unemployment Compensation Trust Fund was in a borrowing status from the Federal Bureau of Public Debt, and the State did not receive any interest income during fiscal year 2010. The second largest change occurred in the Alabama College System, where the increase in net assets was \$72 million. The Alabama College System received \$391 million in operating grants and contributions including federal stimulus funds. Also, the Alabama College System receives most of the Transfers In that are reported in the business-type activities. Most of these transfers are from the Education Trust Fund as mandated by the legislature in the appropriation acts. Revenues of business-type activities totaled \$2.2 billion, an increase of 46.2 percent. This large increase was primarily due to increased rates charged to employers for unemployment compensation, and federal stimulus funds for the colleges. Most of this revenue was self-generated program revenues; only \$24.7 million of the \$2.2 billion revenues came from general revenues. The program revenues consisted of \$1.0 billion of charges for services, a 29.1 percent increase, and \$1.2 billion of operating grants and contributions, a 76.5 percent increase. The 76.5 percent increase was primarily federal stimulus funds. The total expenses for business-type activities were \$2.6 billion, up 16.9 percent, primarily because of unemployment benefit payments.

Financial Analysis of the State's Funds

Governmental Funds

The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the State's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of fiscal year 2010, the governmental funds reported combined ending fund balances of \$5.1 billion. Of this total amount, \$3.5 billion is reserved and is not available for spending because it has already been legally dedicated for various contractual commitments, court settlements, constitutional restrictions, and other purposes. The largest reserved amount of \$3.1 billion is for Alabama Trust Capital. The Alabama Trust Fund originally was a permanent fund, but is now a special revenue fund because of Amendment 666 to the *Constitution of Alabama of 1901* which allows spending of principal equal to the previous year's unrealized gains. An additional \$394 million of governmental fund balance has been reserved for a variety of purposes while \$154 million of governmental funds have been designated for various capital projects and debt service, leaving \$1.5 billion as unreserved and undesignated.

The General Fund is the primary operating fund of the State. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$77 million, and reserved fund balance was \$5 million. Revenues for the General Fund decreased \$151 million, or 11 percent, as taxes decreased \$49 million, court settlements decreased \$53 million, other revenue decreased \$40 million, and investment income decreased \$11 million. One time revenues were the cause of the decrease in both court settlements and other revenues as the State benefitted in 2009 from a \$52 million drug settlement and a \$40 million receipt from a component unit. Expenditures for the General Fund decreased \$219 million, or 15 percent. Health expenditures decreased \$88 million, as overall grant payments related to Medicaid programs decreased \$103 million. Medicaid hospital care program grants decreased \$63 million. The Medicaid nursing home care program grants decreased \$82 million. The Medicaid Pharmaceutical program was up \$30 million. A portion of the Medicaid decrease in hospital care program and nursing home care program grant payments was the result of payments being made from stimulus funds in the Medicaid Fund and the Alabama Health Care Trust Fund, a nonmajor governmental fund. Protection of Persons and Property expenditures decreased \$122 million, with \$101 million of decrease being spent with stimulus funds in nonmajor governmental funds for correctional facility operations. Spending on General Government decreased \$13 million. Spending in most general government departments was relatively unchanged from the previous year, most of the decline was in employee salaries and benefits of \$9 million and professional services of \$3 million. Across all functional categories General Fund spending for supplies and materials was up 8 percent while all other categories were down. The largest decrease was in spending for grant payments which was down 21%. Spending for employee salaries and benefits was down 16% as departments shifted payroll costs to other funds. Due to Other Funds increased \$158 million to a balance of \$168 million. A large portion, \$162 million, is a loan owed to the Alabama Trust Fund. The money was borrowed to alleviate revenue shortages in accordance with Amendment 803 to the *Constitution of Alabama of 1901*.

STATE OF ALABAMA

The Education Trust Fund (ETF) is the largest governmental fund of the State. Revenues credited to the ETF are used for the support, maintenance, and development of public education in Alabama, debt service and capital improvements related to educational facilities, and other functions related to educating the State's citizens. Programs and agencies supported by the ETF include K-12 education, public library services, performing and fine arts, scholarship programs, the State's education regulatory departments, and two and four-year colleges and universities. Funding from the ETF is also provided to non-state organizations that provide educational services to the people of Alabama, including the arts, disease counseling and education, and youth development. Various tax sources are allocated to the ETF, the largest of which are income tax, sales tax, utility tax, and use tax. Tax revenues in the ETF for fiscal year 2010 were down \$90 million, or 2 percent as compared to fiscal year 2009. Individual income tax revenues were down by \$425 million, sales and use tax revenues were up by \$72 million, and corporate income tax revenues were up by \$279 million. Expenditures, as limited by the budget, were down 8 percent, or \$429 million. A large portion of the decrease, \$282 million, was in financial assistance to local school systems, and support for state universities decreased \$108 million. The ETF transferred out \$381 million, with the largest of these transfers going to supplement operations of the Alabama College System, a major Proprietary fund. The Alabama College System received \$339 million in transfers as mandated by the legislature in the appropriations acts. Due to Other Funds in the ETF of \$444 million includes \$437 million owed to the Education Rainy Day account in the Alabama Trust Fund. The ETF fund balance decreased \$23 million to a deficit of \$245 million, primarily due to a reduction in cash of \$17 million.

The Alabama Trust Fund consists of income from the sale or lease of rights for offshore exploration and drilling for oil and gas off the Alabama coast, as well as investment income earned on the accumulated capital. Revenues from royalties and other payments related to the production of oil and gas decreased by \$40 million in 2010. Investment income increased from a \$170 million gain to a \$256 million gain, an increase of \$86 million. Various amendments to the *Constitution of Alabama of 1901* require that Alabama Trust income be used to support the General Fund, Forever Wild Land Trust, and a variety of state and local capital projects and debt service. In compliance with constitutional requirements, \$203 million was transferred out to support these other funds. The asset account Due From Other Funds increased by \$162 million as an interfund loan was made to the General Fund under the authority of Amendment 803 to the *Constitution Alabama of 1901*. During the 2010 fiscal year, the amount constitutionally reserved for Trust Capital increased by \$191 million, a 7 percent increase.

Medicaid accounts for a portion of the Medicaid program that is funded by Federal revenues and other non-state revenue sources. Federal revenues increased 11 percent, or \$406 million. Overall, revenues were up 9 percent, or \$373 million. Expenditures increased 10 percent or \$394 million with the largest increase being a \$306 million increase in hospital care program. An increase in hospital care program expenditures was due to a shift in payments from the General Fund to stimulus funds and due to a change in hospital reimbursement methodology in accordance with Act 2009-549. Nursing Home Care increased \$104 million with most of the increase being due to payments being made in the General Fund last year, but were shifted to the Medicaid fund this year. Alternative care programs declined \$79 million or 18 percent. Accounts Receivable increased \$23 million due to a one time final reimbursement due from the Alabama Hospital Association to settle the old hospital reimbursement plan (Prepaid Health Plan). The net change in fund balance for Medicaid was \$46 million, increasing the total fund balance to \$38 million from a deficit of \$8.35 million in the prior year.

The Public Road and Bridge Fund is the general operating fund of the Department of Transportation (DOT) and receives all state revenues for that department, including all federal aid reimbursements. Amendment No. 93 (as amended by Amendment No. 354) to the *Constitution of Alabama of 1901* provides that monies derived from any fee, excise or license taxes levied by the State on motor fuels shall be expended for the cost of construction, reconstruction, maintenance and repair of public highways and bridges; the cost of highway rights-of-way; the payment of highway obligations; the cost of traffic regulations; and the expense of enforcing state traffic and motor vehicle laws. Federal revenues increased by 16 percent, or \$124 million over 2009. Expenditures declined \$19 million, or 1 percent. Cash balance rose from \$318 million to \$425 million. The fund balance increased by \$54 million to a total fund balance of \$473 million. \$79 million of that fund balance is committed in the form of encumbrances for various contracts and purchase orders, \$26 million is in inventory of materials on hand, and \$46 million is reserved by statute for replacement of equipment. The remaining \$322 million is unreserved but the management of the DOT plans to use the money to cover commitments already made for construction and maintenance contracts.

The Public Welfare Trust Fund is used to account for a broad range of social, protective, and financial assistance programs for citizens. This is the major operating fund of the Department of Human Resources. 89 percent of the revenue is from federal funds, but is supplemented by whiskey tax and a portion of the Alabama Alcoholic Beverage Control Board profits, sales tax, franchise tax, and beer tax. Overall spending rose \$371 million, or 23 percent. Spending on various children's programs rose \$26 million, or 7 percent. The economic downturn created a huge increase in demand for food assistance, as spending increased \$274 million, a 27 percent increase. Expenses for the Temporary Assistance to Needy Families program rose \$49 million, an increase of 76 percent. \$2 billion was spent in the fund in 2010, and the fund balance at year end is \$83 million, a decrease of \$1 million. The small fund balance is normal for this fund, since the Federal Cash Management Improvement Act does not allow the State to draw money and hold it for more than a few days.

The Education Trust Fund had a negative fund balance at September 30, 2010. This is not typical for the State's major governmental funds because the fiscally conservative nature of the State's controls generally results in positive fund balances. Constitutional Amendment 26 requires the State to have on hand at year end in each budgeted fund enough cash to cover all outstanding warrants and any remaining unspent obligations (encumbrances and accounts payable). The Education Trust Fund had a negative fund balance at September 30 resulting from the interfund loan owed to the Alabama Trust Fund. The accrual of taxes receivable in the General Fund and Education Trust Fund almost always assures a positive fund balance. The Public Road and Bridge Fund retains enough cash to cover their outstanding construction contracts and commitments so that fund historically has a large fund balance.

Proprietary Funds

The State's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. During the fiscal year, total net assets for all enterprise funds declined by \$72 million.

In fiscal year 2010, the net assets of the Unemployment Compensation Trust Fund were \$152.8 million in deficit, a decreased of \$130.5 million. The State Unemployment Insurance tax rate was raised effective January 1, 2010. Average tax rates per employee per year ranged from \$64 to \$512 in 2009. In 2010, the rates increased to \$172 to \$664, per employee per year. The increase in Unemployment Insurance tax rate brought in additional \$190.9 million revenues comparing to the year before, a 90.4 percent increase. However, due to elevated unemployment compensation claims and the extension of unemployment benefits, the unemployment benefit payments were \$1.3 billion dollars in 2010, an increase of \$314 million, a 31.4 percent increase. The State borrowed funds from the Federal Government to pay benefits and still owed the Federal Government \$283 million for advances at year-end.

The net assets of the State Port Authority decreased by \$8 million to \$318 million. Operating revenues have shown a modest increase, to \$106 million from \$103 million the prior year, a 3 percent increase, resulting from a number of factors. The McDuffie Coal Terminal experienced increased revenues because of the strong market for metallurgical coal and the Terminal Railway benefited from significant volumes of grain shipped through the leased grain facility. However, the State Port Authority has \$364 million in revenue bonds payable. The interest paid during fiscal year 2010 was \$13 million. The current principal portion of this debt is \$8 million. \$162 million of this debt has variable interest rates indexed to LIBOR. The economy has a significant effect on the State Port Authority's interest expense as well as its operating revenues.

The Alabama College System's net assets increased \$72 million in 2010, primarily because of an increase in federal grants including stimulus funds. Grants increased from \$296 million in fiscal year 2009 to \$391 million in fiscal year 2010, a 32 percent increase.

The net assets of the Alcoholic Beverage Control Board declined by \$3 million in fiscal year 2010, resulting in a \$13 million deficit. The Board is required by law to distribute all of its profits and cannot own real property; therefore, net assets generally will remain negative.

Budgetary Highlights

General Fund

The original budget for the General Fund was decreased by a net of \$56 million during fiscal year 2010. Expenditures were decreased by \$23 million and Transfers Out decreased by \$33 million, and the increases and decreases are reflected in the final budget on the Budgetary Comparison Schedule. 12 percent proration was declared in April 2010 because cash collections were not meeting budget projections. This decreased the budget by \$184 million. The Department of Corrections was cut by \$37 million and the Medicaid Agency was cut by \$42 million. Then in September 2010 the budget was increased by \$31 million as a result of a 2 percent reduction in proration because of the remaining cash close to year-end.

There were significant budgetary variances between the final budget and actual results. Unexpended and reverted appropriations from fiscal year 2010 were reappropriated to fiscal year 2011; therefore, many agencies did not spend all of their appropriations during fiscal year 2010. The Medicaid Agency has the largest carryover of \$35 million to fiscal year 2011. The Department of Public Safety, the Legislature, Department of Corrections, Department of Economic and Community Affairs, and the Department of Finance have \$7 million, \$6 million, \$5 million, \$5 million, and \$3 million, respectively. These funds will be needed in the future because federal stimulus funds will have been expended and projections for State revenues are not improving.

There were budget increases to various agencies as a result of supplemental appropriations which totaled \$101 million. The Department of Corrections received \$52 million of this supplemental appropriation for correctional facility operations. The largest expenditures for correctional facilities are correctional officer salaries and benefits, and medical care for prisoners. The Medicaid Agency received \$42 million of this supplemental appropriation. The Medicaid Agency uses these funds to match the federal grants for Medicaid programs.

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Conditional and other appropriations were approximately \$3 million to various agencies. Conditional amounts are not included in the budget until the conditions have been met. Some expenditures are required by law to be fully funded, and estimated amounts are approved in the General Fund appropriation bill. Increases to these estimated amounts do not require a new bill and are included as other appropriations. Emergency appropriations of \$2 million are included in the original budget and are included in the budgeted amounts as Other on the Budgetary Comparison Schedule. Emergency appropriations cannot exceed two percent of the total amount appropriated. The annual budget was decreased by \$6 million as a result of capital project appropriations for the Department of Corrections. On a budgetary basis, General Fund expenditures and other uses exceeded revenues and other sources by \$44 million. However, on a GAAP (Generally Accepted Accounting Principles) basis, General Fund expenditures and other uses exceeded revenues and other sources by \$139 million. The Budgetary Comparison Schedule in Required Supplementary Information reconciles these amounts and lists the accounting basis differences.

Capital Asset and Debt Administration

Capital Assets

At the end of fiscal year 2010 the State had invested \$20.5 billion, net of accumulated depreciation, in a broad range of capital assets (see the table below). Depreciation charges for the fiscal year totaled \$146 million.

Capital Assets as of September 30

(Amounts in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Capital Assets Not Being Depreciated:						
Land	\$ 281,711	\$ 242,590	\$ 82,690	\$ 82,621	\$ 364,401	\$ 325,211
Historical Exhibits	2,658	2,658	2,350	2,350	5,008	5,008
Construction In Progress	145,038	122,347	114,257	224,977	259,295	347,324
Construction In Progress - Infrastructure	5,043,948	4,916,622	-	-	5,043,948	4,916,622
Infrastructure	12,540,902	12,354,313	-	-	12,540,902	12,354,313
Inexhaustible Intangible Assets	-	-	10	10	10	10
Total Capital Assets Not Being Depreciated	18,014,257	17,638,530	199,307	309,958	18,213,564	17,948,488
Capital Assets Being Depreciated:						
Buildings	1,267,316	1,257,465	1,554,743	1,397,718	2,822,059	2,655,183
Equipment	627,859	605,332	533,446	485,879	1,161,305	1,091,211
Software and Other Intangible Assets	7,346	2,658	3,248	3,248	10,594	5,906
Total Capital Assets Being Depreciated	1,902,521	1,865,455	2,091,437	1,886,845	3,993,958	3,752,300
Less Accumulated Depreciation	957,819	905,694	786,728	726,792	1,744,547	1,632,486
Total Capital Assets Being Depreciated, Net	944,702	959,761	1,304,709	1,160,053	2,249,411	2,119,814
Capital Assets, Net	\$ 18,958,959	\$ 18,598,291	\$ 1,504,016	\$ 1,470,011	\$ 20,462,975	\$ 20,068,302

As allowed by GASB Statement No. 34, the State has adopted the modified approach for reporting roadway and bridge infrastructure assets. Under the modified approach, depreciation is not recorded. Infrastructure costs that result in an increase in the capacity or an improvement in the efficiency of the infrastructure network are capitalized and added to the historical cost of the assets. Costs that allow the infrastructure network to be used efficiently over the expected useful life of the assets are expensed as general maintenance costs. Certain maintenance costs that extend the useful life of the assets but do not increase capacity or efficiency are classified as preservation costs. Preservation costs are expensed and reported in lieu of a charge for depreciation expense.

Extensive project documentation is required to meet various federal and state guidelines concerning the construction of infrastructure. The completeness of this documentation affects the timing of project capitalization. The State capitalizes infrastructure when all costs for a project are incurred and all project documentation is satisfactorily completed, filed, and accepted with the appropriate entities. Projects that meet the cost and documentation criteria are closed, and appropriate entries are made to adjust the Infrastructure Construction in Progress and Infrastructure asset accounts annually. Due to the documentation requirements, there can be substantial time lags between the date a project is put into service on the State's roadway network and the date the project is capitalized. A significant portion of Infrastructure Construction in Progress consists of projects that have been put into service and maintenance costs could have been incurred.

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The State uses the International Roughness Index (IRI) to measure and monitor pavement conditions. The IRI is a standard representing the perceived smoothness of pavements while traveling in passenger cars. A lower IRI measurement represents a smoother condition of pavement. The United States Department of Transportation developed suggested values for IRI of <60 inches/mile to >220 inches/mile to grade the smoothness condition of the roadway. A range of 60 to 94 is considered “Good” condition, with negligible maintenance required, and a range of 95-119 for Interstate Highways or 95-170 for non-interstate highways is considered “Fair”, requiring routine maintenance such as pavement patching. The weighted average rating of Alabama’s roads was 79.24, which exceeds the State’s goal.

The State maintains 5,368 bridges and culverts. The State rates the major structural components and deck area of the bridge or culvert on a scale of one to ten and assigns a weighted rating to the bridge or culvert. The State expects those bridges and culverts to be maintained at a rating within the range of 5 - 6.99, which is considered “satisfactory,” meaning the structural elements are sound but have minor deterioration. The actual weighted average rating for the most recent condition assessment was 6.60, in the upper end of the satisfactory range.

In fiscal years 2010, 2009, 2008, 2007, and 2006, the State estimated it would need to spend \$306.0, \$310.0, \$320.0, \$277.7, and \$247.1 million, respectively, to preserve and maintain all roadway assets and \$10.0 million in each year to preserve all bridge assets at or above the “Established Condition Levels” presented above. The State spent \$387,793,000 for roadway preservation and \$47,020,000 for bridge preservation in fiscal year 2010. In fiscal year 2009, the State spent \$316,082,000 for roadway preservation and \$34,457,000 for bridge preservation. In the next fiscal year, the Alabama Department of Transportation estimates that it will need to spend approximately \$319,568,000 to preserve all roadway assets and approximately \$10,000,000 to preserve all bridge assets at or above the “Established Condition Levels” presented above. Even though actual spending for bridge preservation fell below estimated, condition levels are expected to continue to meet or exceed the “Established Condition Levels”.

More detailed information about the State’s capital assets is presented in Note 3 to the financial statements and in the Required Supplementary Information section.

Long-term Debt

The only method under which general obligation debt can be incurred is by amendment to the *Constitution of Alabama of 1901*. The debt prohibition does not apply to debts incurred by separate public corporations functioning as State instrumentalities. The revenue bonds issued by these corporations are limited obligations of the corporation, not general obligations of the State, and the full faith and credit of the State is not pledged for their repayment. Certain revenues, usually earmarked taxes or revenues generated from the project financed, are pledged for the payment of the debt. Some of these corporations are blended with the primary government and some are reported discretely. The State and its component units issue serial and term bonds and capital appreciation bonds. Alabama has traditionally received high bond ratings from both Standard and Poor’s Corporation and Moody’s Investors Service. Currently, an exception is the upper medium bond ratings for the Tobacco Settlement Revenue Bonds issued by the Alabama Twenty-first Century Authority, a component unit of the State. Also, Fitch Ratings Ltd and Standard and Poor’s Corporation lowered the bond ratings for the State Port Authority to BBB+ in September 2009. Moody’s withdrew their rating for the State Port Authority in June 2009.

Outstanding Bonded Debt as of September 30
(Amounts in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
General Obligation Bonds	\$ 769,330	\$ 687,336	\$ -	\$ -	\$ 769,330	\$ 687,336
Revenue Bonds	274,283	298,712	638,109	619,360	912,392	918,072
Total	<u>\$ 1,043,613</u>	<u>\$ 986,048</u>	<u>\$ 638,109</u>	<u>\$ 619,360</u>	<u>\$ 1,681,722</u>	<u>\$ 1,605,408</u>

The State issued \$110,000,000 in new general obligation bonds and \$112,030,000 in refunding general obligation bonds. The Alabama Building Renovation Authority issued \$26,990,000 in refunding bonds. The State Port Authority issued \$15,100,000 in new bonds. The Alabama College System issued \$19,033,000 in new bonds. More detailed information regarding the State’s long-term debt is presented in Note 4 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

On February 28, 2011 the new governor declared 3 percent proration for the fiscal year 2011 Education Trust Fund budget because of revenue shortfalls. Furthermore, he announced plans to declare 15 percent proration in the State General Fund, after first working with the Legislature for supplemental appropriations to protect priority agencies that provide necessary and critical services. With one time federal stimulus money now depleted, Alabama is left with the loss of hundreds of millions of dollars in both state budgets. The Education Trust Fund budget has a \$165 million shortfall while the General Fund budget has a \$110 million shortfall. Agencies will have to revise their operating plans including plans for employee layoffs. State agencies normally receive allotments of 25 percent each quarter. The first two quarters were not cut; therefore, all of the shortfall will be in the last half of the fiscal year. Tax collections are down and the future economic condition is uncertain for the nation. This economic recession will continue to impact Alabama. The State's seasonally adjusted unemployment rate, at 9.3 percent in January 2011, was above December 2010's rate of 9.1 percent but was below the year-ago rate of 10.3 percent.

Requests for Information

This financial report is designed to provide a general overview of the State of Alabama's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Office of the State Comptroller, Financial Reporting Section, RSA Union, Suite 206, Montgomery, AL 36130-2602.

STATE OF ALABAMA

STATEMENT OF NET ASSETS

September 30, 2010

(Amounts in Thousands)

	Governmental Activities	Business-type Activities	Total Primary Government	Component Units
ASSETS				
Cash and Cash Equivalents	\$ 2,239,066	\$ 454,428	\$ 2,693,494	\$ 2,075,450
Investments	3,234,329	192,899	3,427,228	5,603,578
Internal Balances	19,141	(19,141)	-	-
Due from Primary Government	-	-	-	196,742
Due from Component Units	13,602	-	13,602	71,293
Investment Sales Receivable	145,069	-	145,069	-
Accounts Receivable	58,465	116,934	175,399	688,862
Due from Other Governments	510,429	931	511,360	792,696
Taxes Receivable	814,972	-	814,972	-
Interest and Dividends Receivable	26,594	-	26,594	24,325
Mortgages, Notes, and Loans Receivable	61	-	61	544,510
Securities Lending Collateral	263,765	1,228	264,993	23,795
Inventory	39,561	40,776	80,337	35,215
Restricted Assets	61,748	-	61,748	31,516
Other Assets	14,085	27,185	41,270	211,111
Capital Assets, Net of Accumulated Depreciation	944,702	1,304,709	2,249,411	4,696,697
Capital Assets Not Depreciated	18,014,257	199,307	18,213,564	758,760
Deferred Outflows	-	-	-	4,171
TOTAL ASSETS	26,399,846	2,319,256	28,719,102	15,758,721
LIABILITIES				
Warrants Payable	49,191	69	49,260	1,618
Investment Purchases Payable	225,216	-	225,216	-
Salaries Payable	172,507	7,515	180,022	23,781
Due to Primary Government	-	-	-	13,602
Due to Component Units	194,290	2,452	196,742	71,293
Accounts Payable	599,569	76,528	676,097	491,637
Interest Payable	8,917	7,040	15,957	71,936
Tax Refunds Payable	64,333	-	64,333	-
Due to Other Governments	231,793	284,831	516,624	125,219
Securities Lending Obligation	263,765	1,228	264,993	23,795
Unearned Revenue	14,185	79,493	93,678	632,375
Amounts Held in Custody for Others	72,906	11,620	84,526	291,010
Noncurrent Liabilities:				
Due Within One Year	76,561	32,512	109,073	498,656
Due In More Than One Year	1,815,599	687,653	2,503,252	6,815,379
TOTAL LIABILITIES	3,788,832	1,190,941	4,979,773	9,060,301
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	18,552,286	881,681	19,433,967	2,859,973
Restricted for:				
Permanent - Expendable	24,374	48,943	73,317	900,302
Permanent - Non-expendable	45,784	6,970	52,754	1,156,230
Forever Wild Stewardship Account	24,798	-	24,798	-
Alabama Trust Capital	3,061,559	-	3,061,559	-
Local Government	8,619	-	8,619	-
Education	172,432	-	172,432	-
Natural Resources and Recreation	46,823	-	46,823	-
Social Services	126,691	-	126,691	-
Protection of Persons and Property	77,347	-	77,347	-
Transportation	385,357	-	385,357	-
General Government	103,712	-	103,712	-
Debt Service	730	46,740	47,470	718,033
Capital Projects	117,777	-	117,777	-
Other Purposes	683,582	-	683,582	14,261
Unrestricted	(820,857)	143,981	(676,876)	1,049,621
TOTAL NET ASSETS	\$ 22,611,014	\$ 1,128,315	\$ 23,739,329	\$ 6,698,420

The Notes to the Financial Statements are an integral part of this statement.



STATE OF ALABAMA

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Economic Development and Regulation	\$ 229,170	\$ 92,134	\$ 22,467	\$ 0
Education and Cultural Resources	6,434,312	42,774	1,372,695	9,760
Natural Resources and Recreation	149,745	62,347	49,277	5
Health	6,143,253	249,149	5,026,162	-
Social Services	2,364,313	7,622	1,956,395	3
Protection of Persons and Property	1,146,261	231,004	369,217	-
Transportation	1,257,094	186,440	33,549	917,675
General Government	1,067,587	337,486	318,286	-
Debt Service - Interest and Other Charges	47,829	-	-	-
Total Governmental Activities	18,839,564	1,208,956	9,148,048	927,443
Business-type Activities				
Unemployment Compensation	1,323,058	411,147	784,981	-
State Port Authority	123,551	120,460	102	5,598
Alabama College System	897,134	179,677	391,385	26,211
Alcoholic Beverage Control Board	254,001	252,647	250	-
Nonmajor Proprietary Funds	45,639	48,504	119	-
Total Business-type Activities	2,643,383	1,012,435	1,176,837	31,809
Total Primary Government	21,482,947	2,221,391	10,324,885	959,252
Component Units:				
Public School and College Authority	380,405	308	-	-
Mental Health	865,389	28,132	45,492	-
Housing Finance Authority	74,207	48,713	-	-
Water Pollution Control Authority	38,320	19,016	29,196	-
University of Alabama	3,298,467	2,079,319	774,087	83,228
Auburn University	827,659	414,433	204,666	47,598
University of South Alabama	608,196	411,620	37,225	20,292
Public Education Employees' Health Insurance	789,269	763,255	5	-
State Employees' Health Insurance Board	439,229	460,769	8	-
Nonmajor Component Units	1,136,131	502,261	270,023	23,420
Total Component Units	8,457,272	4,727,826	1,360,702	174,538
General Revenues:				
Taxes:				
Sales and Use Taxes				
Income Taxes				
Motor Fuels Taxes				
Utility Taxes				
Insurance Premium Tax				
Property Tax				
Liquor Taxes				
Tobacco and Cigarette Taxes				
Grants and Contributions Not Restricted to Specific Programs				
Investment Earnings				
Miscellaneous				
Contributions to Permanent Funds and Endowments				
Payments from State of Alabama				
Special Items				
Extraordinary Items				
Transfers				
Total General Revenues, Special Items, and Transfers				
Change in Net Assets				
Net Assets, October 1, 2009, as Restated				
Net Assets, September 30, 2010				

The Notes to the Financial Statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Business-type Activities	Total Primary Government	Component Units
\$ (114,569)	\$ 0	\$ (114,569)	\$ 0
(5,009,083)	-	(5,009,083)	-
(38,116)	-	(38,116)	-
(867,942)	-	(867,942)	-
(400,293)	-	(400,293)	-
(546,040)	-	(546,040)	-
(119,430)	-	(119,430)	-
(411,815)	-	(411,815)	-
(47,829)	-	(47,829)	-
(7,555,117)	0	(7,555,117)	0
-	(126,930)	(126,930)	-
-	2,609	2,609	-
-	(299,861)	(299,861)	-
-	(1,104)	(1,104)	-
-	2,984	2,984	-
0	(422,302)	(422,302)	0
(7,555,117)	(422,302)	(7,977,419)	0
-	-	-	(380,097)
-	-	-	(791,765)
-	-	-	(25,494)
-	-	-	9,892
-	-	-	(361,833)
-	-	-	(160,962)
-	-	-	(139,059)
-	-	-	(26,009)
-	-	-	21,548
-	-	-	(340,427)
0	0	0	(2,194,206)
2,108,834	-	2,108,834	-
2,973,246	-	2,973,246	-
551,210	-	551,210	-
684,437	-	684,437	-
263,243	-	263,243	-
314,977	-	314,977	-
156,098	10,558	166,656	-
136,311	-	136,311	-
40,323	-	40,323	7,104
315,520	2,572	318,092	454,211
879,724	11,561	891,285	96,430
-	102	102	27,967
-	-	-	2,218,154
-	(9,147)	(9,147)	-
-	-	-	3,089
(335,150)	335,150	-	-
8,088,773	350,796	8,439,569	2,806,955
533,656	(71,506)	462,150	612,749
22,077,358	1,199,821	23,277,179	6,085,671
\$ 22,611,014	\$ 1,128,315	\$ 23,739,329	\$ 6,698,420

STATE OF ALABAMA

BALANCE SHEET
Governmental Funds

September 30, 2010

(Amounts in Thousands)

	General Fund	Education Trust Fund	Alabama Trust	Medicaid Fund	Public Road and Bridge Fund
ASSETS					
Cash and Cash Equivalents	\$ 201,543	\$ 134,338	\$ 52,710	\$ 81,073	\$ 424,816
Investments	-	-	2,522,278	-	39,151
Due from Other Funds	13,466	2,556	599,484	7,758	388
Due from Component Units	5	2	-	8,241	1
Investment Sales Receivable	-	-	144,224	-	-
Accounts Receivable	458	92	16,459	24,905	4,494
Due from Other Governments	3	26	-	233,782	117,680
Taxes Receivable	218,751	194,220	-	-	26,154
Interest and Dividends Receivable	44	-	23,194	-	-
Mortgages, Notes, and Loans Receivable	-	-	-	-	-
Securities Lending Collateral	8,604	5,793	174,515	3,458	17,358
Inventory	3,317	-	-	-	25,652
Restricted Assets	-	-	-	-	-
Other Assets	-	-	-	-	-
TOTAL ASSETS	\$ 446,191	\$ 337,027	\$ 3,532,864	\$ 359,217	\$ 655,694
LIABILITIES AND FUND BALANCES					
Liabilities					
Warrants Payable	\$ 1,616	\$ 3,981	\$ 0	\$ 469	\$ 2,729
Investment Purchases Payable	-	-	224,535	-	-
Salaries Payable	55,042	7,424	-	2,090	22,567
Due to Other Funds	168,106	444,044	-	31,735	2,875
Due to Component Units	192	19	-	37,772	10
Accounts Payable	13,413	47,039	172	245,701	121,028
Tax Refunds Payable	-	64,333	-	-	-
Due to Other Governments	6,792	8,816	-	10	3,404
Securities Lending Obligation	8,604	5,793	174,515	3,458	17,358
Deferred Revenue	108,428	-	4,056	-	-
Amounts Held in Custody for Others	315	1	-	-	12,687
Compensated Absences	804	103	-	18	236
Total Liabilities	363,312	581,553	403,278	321,253	182,894
Fund Balances					
Reserved for:					
Encumbrances	2,157	3,033	133	10,654	79,187
Inventory	3,317	-	-	-	25,652
Restricted Assets	-	-	-	-	-
Long-term Receivables	-	-	-	-	-
Highway Equipment Replacement	-	-	-	-	45,585
Forever Wild Stewardship Account	-	-	24,798	-	-
Alabama Trust Capital	-	-	3,061,559	-	-
Local Government	-	-	8,619	-	-
Capital Improvement Trust	-	-	34,477	-	-
Permanent Trust Principal	-	-	-	-	-
Unreserved, Designated for Capital Projects	-	-	-	-	-
Unreserved, Designated for Debt Service	-	-	-	-	-
Unreserved, Undesignated, Reported in:					
General Fund	77,405	-	-	-	-
Special Revenue Funds	-	(247,559)	-	27,310	322,376
Permanent Funds	-	-	-	-	-
Total Fund Balances	82,879	(244,526)	3,129,586	37,964	472,800
TOTAL LIABILITIES AND FUND BALANCES	\$ 446,191	\$ 337,027	\$ 3,532,864	\$ 359,217	\$ 655,694

The Notes to the Financial Statements are an integral part of this statement.

Public Welfare Trust Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 132,583	\$ 1,164,736	\$ 2,191,799
-	529,824	3,091,253
14,410	57,751	695,813
546	2,909	11,704
-	845	145,069
-	9,983	56,391
1,206	157,732	510,429
49,023	326,824	814,972
-	3,214	26,452
-	61	61
5,296	47,242	262,266
-	1,166	30,135
-	61,748	61,748
-	37	37
\$ 203,064	\$ 2,364,072	\$ 7,898,129

\$ 795	\$ 39,279	\$ 48,869
-	681	225,216
21,488	61,256	169,867
6,865	46,470	700,095
381	149,556	187,930
43,808	120,595	591,756
-	-	64,333
2,456	210,274	231,752
5,296	47,242	262,266
35,870	122,324	270,678
3,178	56,725	72,906
255	719	2,135
120,392	855,121	2,827,803

4,708	43,116	142,988
-	1,166	30,135
-	61,748	61,748
-	208	208
-	-	45,585
-	-	24,798
-	-	3,061,559
-	-	8,619
-	-	34,477
-	45,784	45,784
-	153,318	153,318
-	806	806
-	-	77,405
77,964	1,178,431	1,358,522
-	24,374	24,374
82,672	1,508,951	5,070,326
\$ 203,064	\$ 2,364,072	\$ 7,898,129

STATE OF ALABAMA

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

September 30, 2010

(Amounts in Thousands)

Total Fund Balances for Governmental Funds \$5,070,326

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	280,955	
Historical Exhibits	2,657	
Construction in progress	115,561	
Construction in progress - Infrastructure	5,043,948	
Infrastructure	12,540,902	
Buildings	1,117,127	
Equipment	589,884	
Intangibles	4,437	
Accumulated Depreciation - Buildings	(466,536)	
Accumulated Depreciation - Equipment	(344,359)	
Amortization - Intangibles	(399)	
		18,884,177

Some of the State's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. 256,493

Internal service funds are used by management to charge the costs of certain activities, such as insurance and information technology, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 157,342

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Capital Leases, Notes, and Mortgages	(115,771)	
Compensated Absences	(281,427)	
Claims and Judgments	(15,299)	
Due to Component Units	(6,032)	
Other Post-Employment Benefits	(362,625)	
		(781,154)

Long-term bonded debt is not due and payable in the current period and therefore is not reported in the funds. Unamortized discounts, unamortized premiums, unamortized loss, deferred debt financing costs, and interest payable are not reported in the funds. However, these amounts are included in the Statement of Net Assets. This is the total effect of these balances on the statement.

General Obligation Bonds Payable	(741,250)	
Revenue Bonds Payable	(199,645)	
Unamortized Premiums	(37,167)	
Unamortized Discounts	422	
Unamortized Loss	7,761	
Deferred Debt Financing Costs	2,625	
Accrued Interest Payable	(8,916)	
		(976,170)

Net Assets of Governmental Activities \$22,611,014

The Notes to the Financial Statements are an integral part of this statement.



STATE OF ALABAMA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	General Fund	Education Trust Fund	Alabama Trust	Medicaid Fund	Public Road and Bridge Fund
REVENUES					
Taxes	\$ 1,023,088	\$ 5,178,449	\$ 0	\$ 0	\$ 348,743
Licenses, Permits, and Fees	157,326	46	-	-	144,305
Fines, Forfeits, and Court Settlements	24,191	-	-	3,411	-
Investment Income	24,177	-	256,476	31	2,071
Federal Grants and Reimbursements	1,549	275	-	3,968,878	906,036
Other Revenues	2,858	240	125,132	633,494	30,133
Total Revenues	1,233,189	5,179,010	381,608	4,605,814	1,431,288
EXPENDITURES					
Current:					
Economic Development and Regulation	8,797	-	-	-	-
Education and Cultural Resources	13,386	4,689,752	-	-	-
Natural Resources and Recreation	5,352	-	400	-	-
Health	457,995	39,177	-	4,372,770	-
Social Services	13,462	25,127	-	-	-
Protection of Persons and Property	441,291	49,597	-	-	-
Transportation	2	-	-	-	1,322,787
General Government	313,429	17,336	5,715	-	-
Capital Outlay	-	-	-	-	-
Debt Service - Principal Retirement	2,731	80	-	-	337
Debt Service - Interest and Other Charges	153	50	-	-	98
Total Expenditures	1,256,598	4,821,119	6,115	4,372,770	1,323,222
Excess (Deficiency) of Revenues Over (Under) Expenditures	(23,409)	357,891	375,493	233,044	108,066
OTHER FINANCING SOURCES (USES)					
Transfers In	108,850	382	6,104	113,952	945
Bonds Issued	-	-	-	-	-
Refunding Bonds Issued	-	-	-	-	-
Capital Leases	-	-	-	-	-
Other Debt Issued	-	-	-	-	-
Debt Issuance Premiums	-	-	-	-	-
Insurance Recovery Proceeds	19	-	-	-	1,840
Transfers Out	(224,792)	(381,258)	(203,427)	(300,677)	(58,817)
Payments to Refunded Bond Escrow Agent	-	-	-	-	-
Current Refunding to Bondholders	-	-	-	-	-
Total Other Financing Sources (Uses)	(115,923)	(380,876)	(197,323)	(186,725)	(56,032)
Net Change in Fund Balances	(139,332)	(22,985)	178,170	46,319	52,034
Fund Balances, October 1, 2009, as Restated	222,142	(221,541)	2,951,416	(8,355)	418,452
Increase (Decrease) in Inventory	69	-	-	-	2,314
Fund Balances, September 30, 2010	\$ 82,879	\$ (244,526)	\$ 3,129,586	\$ 37,964	\$ 472,800

The Notes to the Financial Statements are an integral part of this statement.

Public Welfare Trust Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 173,195	\$ 1,351,033	\$ 8,074,508
479	362,807	664,963
-	122,764	150,366
-	30,404	313,159
1,649,236	2,780,147	9,306,121
38,983	367,420	1,198,260
1,861,893	5,014,575	19,707,377
-	195,667	204,464
-	1,724,644	6,427,782
-	177,635	183,387
-	1,259,700	6,129,642
1,965,367	346,372	2,350,328
-	623,906	1,114,794
-	237,453	1,560,242
542	717,055	1,054,077
-	42,525	42,525
1,880	45,465	50,493
1,672	50,699	52,672
1,969,461	5,421,121	19,170,406
(107,568)	(406,546)	536,971
176,989	840,256	1,247,478
-	110,000	110,000
-	112,030	112,030
2,322	-	2,322
-	62,136	62,136
-	20,746	20,746
479	1,127	3,465
(73,422)	(350,397)	(1,592,790)
-	(74,415)	(74,415)
-	(52,610)	(52,610)
106,368	668,873	(161,638)
(1,200)	262,327	375,333
83,872	1,246,600	4,692,586
-	24	2,407
\$ 82,672	\$ 1,508,951	\$ 5,070,326

STATE OF ALABAMA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

Net Change in Fund Balances for Governmental Funds \$375,333

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlay	446,570	
Depreciation Expense	(75,490)	
	371,080	

371,080

In the Statement of Activities, only the gain (loss) on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold.

(10,894)

Some capital additions were financed through capital leases. In the governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability.

(2,322)

In the Statement of Activities, the change in the balance of inventories is expensed, whereas in the governmental funds, the change in the balance of inventories is adjusted to reserved fund balance.

2,407

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

(10,798)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and information technology, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.

12,579

Capital assets reassigned to internal service funds from the general government are reported in internal service funds as transfers in, but in the Statement of Activities such interfund activity is eliminated.

(12)

Long-term debt principal repayment is an expenditure in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Assets.

Bond proceeds	(222,030)	
Bond premium	(20,746)	
Repayment of bond principal	44,885	
Current refunding to bondholders	52,610	
Payments to Refunded Bond Escrow Agent	74,415	
Other debt proceeds	(62,136)	
Repayment of other debt principal	166	
Accrued interest	6,231	

(126,605)

Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities reported on the Statement of Net Assets and have been eliminated from the Statement of Activities.

Capital lease payments	5,606	
Compensated absences payments	3,508	
Other post-employment benefit payments	(94,418)	
Claims and judgments	6,248	
Other debt payments	1,944	

(77,112)

Change in Net Assets of Governmental Activities

\$533,656

The Notes to the Financial Statements are an integral part of this statement.



STATE OF ALABAMA

STATEMENT OF NET ASSETS
Proprietary Funds

September 30, 2010

(Amounts in Thousands)

	Business-type Activities – Enterprise Funds				
	Unemployment Compensation Trust	State Port Authority	Alabama College System	Alcoholic Beverage Control Board	Nonmajor Enterprise Funds
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ 131,860	\$ 7,559	\$ 275,345	\$ 28,260	\$ 11,404
Investments, Short-term	-	14,565	135,485	-	104
Due from Other Funds	49	-	-	47	-
Due from Component Units	-	-	-	-	-
Accounts Receivable	4,107	27,872	84,383	525	47
Due from Other Governments	-	931	-	-	-
Interest and Dividends Receivable	-	-	-	-	-
Securities Lending Collateral	3	-	-	1,214	11
Inventory	-	4,725	8,975	26,254	822
Other Current Assets	-	9,616	-	-	300
Total Current Assets	136,019	65,268	504,188	56,300	12,688
Noncurrent Assets					
Investments, Long-term	-	25,501	17,244	-	-
Due From Other Funds, Noncurrent	-	-	-	-	-
Due From Component Unit, Noncurrent	-	-	-	-	-
Other Noncurrent Assets	-	5,244	11,935	90	-
Capital Assets, Net of Accumulated Depreciation	-	553,861	744,091	4,051	2,706
Capital Assets Not Depreciated	-	82,083	114,594	-	2,630
Total Noncurrent Assets	0	666,689	887,864	4,141	5,336
TOTAL ASSETS	136,019	731,957	1,392,052	60,441	18,024
LIABILITIES					
Current Liabilities					
Warrants Payable	-	-	-	69	-
Salaries Payable	-	3,664	-	3,823	28
Due to Other Funds	-	-	-	18,596	641
Due to Component Units	-	-	-	2,426	26
Accounts Payable	5,076	8,995	32,095	30,220	142
Interest Payable	-	7,040	-	-	-
Due to Other Governments	283,671	-	-	1,157	3
Claims Payable	-	681	-	-	3,700
Unearned Revenue	-	-	78,552	-	401
Funds Held in Escrow	75	-	11,545	-	-
Compensated Absences	-	-	2,308	58	-
Securities Lending Obligation	3	-	-	1,214	11
Notes and Capital Leases Payable	-	-	2,765	-	-
Revenue Bonds Payable	-	7,525	15,475	-	-
Total Current Liabilities	288,825	27,905	142,740	57,563	4,952
Noncurrent Liabilities					
Claims Payable	-	2,079	-	-	-
Unearned Revenue, Noncurrent	-	540	-	-	-
Compensated Absences	-	-	17,450	6,570	19
Other Post-employment Benefits	-	7,198	-	9,767	95
Notes and Capital Leases Payable	-	-	7,098	-	1,825
Revenue Bonds Payable	-	356,329	258,780	-	-
Other Long-term Liabilities	-	20,265	178	-	-
Total Noncurrent Liabilities	0	386,411	283,506	16,337	1,939
TOTAL LIABILITIES	288,825	414,316	426,246	73,900	6,891
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	-	269,303	604,816	4,051	3,511
Restricted for:					
Permanent - Expendable	-	-	48,943	-	-
Permanent - Non-expendable	-	-	6,970	-	-
Debt Service	-	46,740	-	-	-
Capital Projects	-	-	-	-	-
Unrestricted	(152,806)	1,598	305,077	(17,510)	7,622
TOTAL NET ASSETS	\$ (152,806)	\$ 317,641	\$ 965,806	\$ (13,459)	\$ 11,133

The Notes to the Financial Statements are an integral part of this statement.

Governmental Activities

Total Enterprise Funds	Internal Service Funds
\$ 454,428	\$ 47,267
150,154	57,827
96	15,390
-	586
116,934	2,057
931	-
-	142
1,228	1,499
40,776	9,426
9,916	10,629
774,463	144,823
42,745	85,249
-	9,286
-	1,312
17,269	794
1,304,709	44,548
199,307	30,234
1,564,030	171,423
2,338,493	316,246
69	322
7,515	2,640
19,237	1,367
2,452	328
76,528	7,684
7,040	-
284,831	41
4,381	10,613
78,953	-
11,620	-
2,366	9
1,228	1,499
2,765	326
23,000	7,655
521,985	32,484
2,079	48,669
540	-
24,039	4,703
17,060	5,173
8,923	1,017
615,109	66,079
20,443	779
688,193	126,420
1,210,178	158,904
881,681	6,537
48,943	-
6,970	-
46,740	-
-	6,924
143,981	143,881
\$ 1,128,315	\$ 157,342

STATE OF ALABAMA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Proprietary Funds

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	Business-type Activities – Enterprise Funds				
	Unemployment Compensation Trust	State Port Authority	Alabama College System	Alcoholic Beverage Control Board	Nonmajor Enterprise Funds
OPERATING REVENUES					
Charges for Goods and Services	\$ 0	\$ 106,460	\$ 179,677	\$ 248,845	\$ 33,222
Premiums and Contributions	402,008	-	-	-	14,471
Rents and Leases	-	-	-	-	621
Total Operating Revenues	402,008	106,460	179,677	248,845	48,314
OPERATING EXPENSES					
Salaries, Wages, and Benefits	-	-	487,542	48,619	484
Utilities and Communications	-	-	26,983	2,874	200
Professional Services	-	-	-	4,446	372
Supplies, Materials, and Operating Expenses	-	1,987	176,981	182,947	22,852
Interest	-	-	11,393	-	-
Depreciation	-	27,441	33,949	3,288	264
Claims and Benefits	1,316,570	-	-	-	21,368
Operations and Maintenance	-	59,641	-	-	-
General and Administrative	-	16,566	-	-	-
Other	-	-	143,157	11,827	9
Total Operating Expenses	1,316,570	105,635	880,005	254,001	45,549
Operating Income (Loss)	(914,562)	825	(700,328)	(5,156)	2,765
NONOPERATING REVENUES (EXPENSES)					
Taxes	-	-	-	10,558	3,901
Grants	784,981	102	391,385	250	119
Investment Income	-	(1,045)	3,570	-	47
Other Nonoperating Revenues	9,139	14,000	7,043	4,414	197
Interest Expense	-	(12,640)	-	-	(91)
Other Nonoperating Expenses	(6,488)	(5,277)	(17,128)	-	-
Total Nonoperating Revenues (Expenses)	787,632	(4,860)	384,870	15,222	4,173
Income (Loss) Before Contributions and Transfers	(126,930)	(4,035)	(315,458)	10,066	6,938
Capital Contributions	-	5,598	26,211	-	-
Contributions to Endowments	-	-	102	-	-
Special Items	-	(9,147)	-	-	-
Transfers In	5,755	53	361,511	379	-
Transfers Out	(9,366)	(54)	-	(13,441)	(9,687)
Increase (Decrease) in Net Assets	(130,541)	(7,585)	72,366	(2,996)	(2,749)
Total Net Assets, October 1, 2009, as Restated	(22,265)	325,226	893,440	(10,463)	13,882
Total Net Assets, September 30, 2010	\$ (152,806)	\$ 317,641	\$ 965,806	\$ (13,459)	\$ 11,133

The Notes to the Financial Statements are an integral part of this statement.

Governmental Activities

Total Enterprise Funds	Internal Service Funds
\$ 568,204	\$ 68,768
416,479	52,048
621	18,346
985,304	139,162
536,645	33,618
30,057	22,120
4,818	11,716
384,767	40,993
11,393	3,231
64,942	5,844
1,337,938	17,674
59,641	-
16,566	-
154,993	6,913
2,601,760	142,109
(1,616,456)	(2,947)
14,459	-
1,176,837	84
2,572	5,051
34,793	412
(12,731)	(102)
(28,893)	(145)
1,187,037	5,300
(429,419)	2,353
31,809	-
102	-
(9,147)	-
367,698	10,390
(32,548)	(164)
(71,505)	12,579
1,199,820	144,763
\$ 1,128,315	\$ 157,342

STATE OF ALABAMA

STATEMENT OF CASH FLOWS Proprietary Funds

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	Business-type Activities – Enterprise Funds				
	Unemployment Compensation Trust	State Port Authority	Alabama College System	Alcoholic Beverage Control Board	Nonmajor Enterprise Funds
Cash Flows from Operating Activities:					
Receipts from Customer & User Charges	\$ 401,489	\$ 105,281	\$ 148,468	\$ 245,813	\$ 52,238
Receipts from Interfund Services	-	-	-	23	8
Receipts from Operating Grants	1,041,327	-	148,916	-	-
Receipts from Interfund Reimbursements	7,052	-	-	-	-
Receipts from Other Operating Activities	9,139	-	27,028	15,416	309
Payments for Goods Held for Resale	-	-	-	(164,666)	(23,129)
Payments for Other Goods & Services	-	(50,735)	(203,328)	(20,779)	(21,537)
Payments for Employees Services	-	(30,804)	(487,543)	(46,049)	(465)
Payments for Taxes, Fines, Penalties, & Similar Fees	(1,044)	-	-	-	-
Payments for Interfund Services	-	-	-	(1,768)	(5)
Payments for Other Operating Activities	-	-	(143,646)	(1,937)	-
Payments for Claims	(1,325,398)	-	-	-	-
Net Cash Provided by (Used In) Operating Activities	132,565	23,742	(510,105)	26,053	7,419
Cash Flows from Noncapital Financing Activities:					
Receipts from Noncapital Financing Grants & Donations	5,755	-	254,781	-	-
Transfers from Other Funds for Noncapital Financing	-	-	340,907	445	-
Payments for Noncapital Financing Grants & Donations	(6,052)	-	(181)	-	-
Transfers to Other Funds for Noncapital Financing	(9,198)	-	-	(10,890)	(9,689)
Net Cash Provided By (Used In)					
Noncapital Financing Activities	(9,495)	0	595,507	(10,445)	(9,689)
Cash Flows From Capital & Related Financing Activities:					
Proceeds from Revenue Bonds & Other Capital Debt	-	15,100	19,033	-	-
Receipts from Capital Grants & Contributions	-	5,826	27,089	-	-
Receipts from Sale of Capital Assets & Insurance Proceeds	-	5,758	242	18	101
Payments to Acquire, Construct, & Improve Capital Assets	-	(30,480)	(79,336)	(1,441)	(490)
Principal Paid on Revenue Bonds & Other Capital Debt	-	(7,165)	(16,450)	-	(71)
Interest Paid on Revenue Bonds & Other Capital Debt	-	(14,809)	(12,361)	-	(91)
Bond Issuance Cost	-	-	(253)	-	-
Net Cash Provided by (Used in)					
Capital and Related Financing Activities	0	(25,770)	(62,036)	(1,423)	(551)
Cash Flows From Investing Activities					
Receipts from Sales & Maturities of Investments	-	7,865	61,099	-	-
Receipts from Interest & Dividends on Investments & Loans	608	1,111	1,472	-	47
Purchase of Investments	-	(10)	(57,436)	-	(104)
Collateral on interest rate swap	-	(6,220)	-	-	-
Net Cash Provided By (Used In) Investing Activities	608	2,746	5,135	0	(57)
Net Increase (Decrease) In Cash and Cash Equivalents	123,678	718	28,501	14,185	(2,878)
Cash Balance as Restated, October 1, 2009	8,182	6,841	246,844	14,006	14,282
Cash Balance, September 30, 2010	131,860	7,559	275,345	28,191	11,404
Add: Warrants Payable	-	-	-	69	-
Cash and Cash Equivalents, as Reported on Balance Sheet	\$ 131,860	\$ 7,559	\$ 275,345	\$ 28,260	\$ 11,404

The Notes to the Financial Statements are an integral part of this statement.

Governmental Activities

Total Enterprise Funds	Internal Service Funds
\$ 953,289	\$ 35,752
31	106,468
1,190,243	-
7,052	-
51,892	4,307
(187,795)	(13,963)
(296,379)	(62,454)
(564,861)	(32,439)
(1,044)	(168)
(1,773)	(5,443)
(145,583)	(4,872)
(1,325,398)	(20,630)
(320,326)	6,558
260,536	-
341,352	9,718
(6,233)	-
(29,777)	(148)
565,878	9,570
34,133	29,125
32,915	-
6,119	315
(111,747)	(4,196)
(23,686)	(7,140)
(27,261)	(31,253)
(253)	-
(89,780)	(13,149)
68,964	176,703
3,238	2,888
(57,550)	(214,634)
(6,220)	-
8,432	(35,043)
164,204	(32,064)
290,155	79,009
454,359	46,945
69	322
\$ 454,428	\$ 47,267

Continued on next page...

STATE OF ALABAMA

STATEMENT OF CASH FLOWS (Continued from Previous Page) Proprietary Funds

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	Business-type Activities – Enterprise Funds				
	Unemployment Compensation Trust	State Port Authority	Alabama College System	Alcoholic Beverage Control Board	Nonmajor Enterprise Funds
Reconciliation of Operating Income (Loss) to Net Cash					
Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ (914,562)	\$ 825	\$ (700,328)	\$ (5,156)	\$ 2,765
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Due from Other Funds	-	-	-	1	8
Accounts Receivable	(1,500)	(1,128)	(14,628)	(323)	9
Inventory	-	785	(715)	(513)	(15)
Other Assets	-	111	(2,085)	-	-
Capital Assets	-	-	-	-	-
Salaries Payable	-	-	-	(63)	(8)
Due to Other Funds	-	-	-	(2,994)	(95)
Due to Component Units	-	-	-	(810)	-
Accounts Payable	254,576	(7,288)	(1,737)	13,799	48
Due to Other Governments	-	-	-	802	-
Claims Payable	-	-	-	-	197
Amounts Held Pending Distribution	-	-	-	-	-
Unearned Revenue	-	-	12,446	-	12
Funds Held in Escrow	-	-	(874)	6	-
Compensated Absences	-	-	-	(72)	(1)
Other Post-employment Benefits	-	-	-	2,542	24
Other Liabilities	-	(746)	(750)	-	-
Investment Income	-	-	-	-	-
Operating Interest Expense	-	-	-	-	-
Depreciation	-	27,441	33,949	3,288	264
Amortization Expense	-	279	-	-	-
Nonoperating Revenues	794,051	-	153,224	15,546	4,211
Nonoperating Expenses	-	3,463	11,393	-	-
Total Adjustments	1,047,127	22,917	190,223	31,209	4,654
Net Cash Provided (Used) by Operating Activities	\$ 132,565	\$ 23,742	\$ (510,105)	\$ 26,053	\$ 7,419

Noncash Investing, Capital, and Financing Activities

Increase (Decrease):

Transfers and Donations of Capital Assets	-	-	-	303	-
Capital Assets Acquired by Capital Lease or Other Debt	-	-	700	-	-
Disposals, Write-offs, and Other Reductions to Capital Asset	-	-	(29,674)	(1,380)	(101)
Revenue Bond Amortizations and Other Debt Adjustments	-	-	-	-	-
Interest Accruals and Other Adjustments	608	-	-	-	-
Unrealized Gains (Losses) in Investment Fair Value	-	2,156	-	-	-
Transfers In (Out)	-	-	-	2,567	-

The Notes to the Financial Statements are an integral part of this statement.

Governmental Activities

<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
\$ (1,616,456)	\$ (2,947)
9	(1,297)
(17,570)	1,221
(458)	1,175
(1,974)	(296)
-	116
(71)	(66)
(3,089)	(1,001)
(810)	-
259,398	(613)
802	(167)
197	(126)
-	349
12,458	(381)
(868)	192
(73)	(144)
2,566	1,306
(1,496)	-
-	56
-	3,240
64,942	5,844
279	-
967,032	117
14,856	(20)
<u>1,296,130</u>	<u>9,505</u>
<u>\$ (320,326)</u>	<u>\$ 6,558</u>

303	5,906
700	1,343
(31,155)	(5,248)
-	(1,091)
608	(524)
2,156	(1,605)
2,567	(656)

STATE OF ALABAMA

STATEMENT OF FIDUCIARY NET ASSETS Fiduciary Funds

September 30, 2010

(Amounts in Thousands)

	Pension and Other Employee Benefit Trust Funds	Private- Purpose Trust Funds	Agency Funds
ASSETS			
Cash and Cash Equivalents	\$ 41,313	\$ 5,578	\$ 180,736
Investments			
Time Deposits	-	132	2,420
U.S. Treasury Securities	1,384,342	157,368	41,740
U.S. Agency Securities	758,860	29,742	-
State and Local Government Securities	-	202	8,390
Mortgage Backed Securities	606,554	68,462	6,120
Corporate Stocks	11,651,792	79,239	-
Corporate Bonds	4,939,570	85,079	3,810
Real Estate	2,819,301	840	-
Commercial Paper	890,431	540	-
International Stocks	3,737,327	28,981	-
International Bonds	-	2,190	-
Mutual and Money Market Funds	331,556	710,563	103
Commingled Funds	-	7,567	-
Receivables			
Due from Other Funds	-	21	129
Employer Contributions Receivable	95,207	-	-
Member Contributions Receivable	41,109	-	-
Investment Sales Receivable	1,348,441	-	-
Accounts Receivable	15,738	356	26
Interest and Dividends Receivable	96,687	2,912	-
Securities Lending Collateral	3,203,312	999	2,117
Other Assets	3,231	-	-
Capital Assets, Net of Accumulated Depreciation	151,144	-	-
Capital Assets Not Depreciated	7,620	-	-
TOTAL ASSETS	32,123,535	1,180,771	245,591
LIABILITIES			
Warrants Payable	\$ 30,663	\$ 302	\$ 22,539
Investment Purchases Payable	1,094,023	-	-
Salaries Payable	2,160	22	-
Due to Other Funds	2	34	-
Accounts Payable	3,863	36,677	619
Due to Other Governments	5	267	4,112
Claims Payable	49,699	-	-
Securities Lending Obligation	3,203,312	999	2,117
Deferred Revenue	2,158	-	-
Amounts Held in Custody for Others	-	-	216,204
Compensated Absences	4,438	50	-
Other Post-employment Benefits	3,288	51	-
TOTAL LIABILITIES	4,393,611	38,402	245,591
NET ASSETS			
Held in Trust for Beneficiaries	-	1,142,369	-
Held in Trust for Pension and Other Employee Benefits	27,729,924	-	-
TOTAL NET ASSETS	\$ 27,729,924	\$ 1,142,369	\$ 0

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ALABAMA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Fiduciary Funds

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	Pension and Other Employee Benefit Trust Funds	Private- Purpose Trust Funds
ADDITIONS		
Contributions:		
Plan members	\$ 755,697	\$ 231,088
Employer	1,601,807	-
Medicare Part D Retiree Drug Subsidy	34,753	-
Total Contributions	2,392,257	231,088
Investment Earnings		
Investment Interest and Dividends	909,743	26,706
Net Increase (Decrease) in Fair Value of Investments	1,432,477	77,667
Securities Lending Income	19,862	167
Total Investment Earnings	2,362,082	104,540
Less:		
Investment Expense	8,053	-
Securities Lending Interest and Fees	8,959	53
Net Investment Income	2,345,070	104,487
Other Additions		
Licenses and Fees	3,193	-
Miscellaneous	4,164	259
Total Other Additions	7,357	259
Total Additions	4,744,684	335,834
DEDUCTIONS		
Benefit Payments and Refunds	3,048,810	320,383
Administrative Expense	35,336	7,997
Transfers Out	1	51
Total Deductions	3,084,147	328,431
Changes in Net Assets	1,660,537	7,403
Net Assets Held in Trust		
for Beneficiaries, October 1, 2009, as Restated	26,069,387	1,134,966
Net Assets Held in Trust		
for Beneficiaries, September 30, 2010	\$ 27,729,924	\$ 1,142,369

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ALABAMA

STATEMENT OF NET ASSETS Component Units

September 30, 2010

(Amounts in Thousands)

	Public School and College Authority	Mental Health	Housing Finance Authority	Water Pollution Control Authority	University of Alabama
ASSETS					
Cash and Cash Equivalents	\$ 631,774	\$ 96,002	\$ 3,006	\$ 84,527	\$ 371,230
Investments	-	1	754,530	87,857	2,636,520
Due from Primary Government	15,491	173,600	-	6,032	-
Due from Component Units	-	71,289	-	-	-
Accounts Receivable	3	2	-	217	337,219
Due from Other Governments	38,812	2,018	-	510,169	-
Interest and Dividends Receivable	-	-	13,192	2,262	413
Mortgages, Notes, and Loans Receivable	-	-	288,625	-	107,958
Securities Lending Collateral	436	3,410	-	652	-
Inventory	-	2,093	-	-	20,881
Restricted Assets	-	-	-	-	-
Other Assets	6,684	109	25,555	18,069	89,794
Capital Assets, Net of Accumulated Depreciation	10,788	22,055	-	15	2,599,524
Capital Assets Not Depreciated	-	1,590	-	-	230,284
Deferred Outflows	-	-	-	-	-
TOTAL ASSETS	703,988	372,169	1,084,908	709,800	6,393,823
LIABILITIES					
Warrants Payable	563	747	-	-	-
Salaries Payable	-	13,012	-	-	-
Due to Primary Government	-	9,335	-	406	-
Due to Component Units	-	3	-	-	71,248
Accounts Payable	22,377	53,076	109	7	277,829
Interest Payable	36,626	78	18,104	1,662	-
Due to Other Governments	7,889	3,053	-	62,111	24,007
Securities Lending Obligation	436	3,410	-	652	-
Unearned Revenue	-	-	15,651	608	285,383
Amounts Held in Custody for Others	-	-	230,329	100	18,207
Noncurrent Liabilities:					
Due Within One Year	70,180	1,509	58,661	27,545	38,481
Due In More Than One Year	2,541,889	55,049	458,997	295,541	1,523,236
TOTAL LIABILITIES	2,679,960	139,272	781,851	388,632	2,238,391
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	10,788	16,482	-	15	1,444,891
Restricted for:					
Permanent - Expendable	-	-	-	-	553,392
Permanent - Non-expendable	-	-	-	-	574,606
Debt Service	-	-	232,097	321,153	-
Other Purposes	-	-	-	-	-
Unrestricted	(1,986,760)	216,415	70,960	-	1,582,543
TOTAL NET ASSETS	\$ (1,975,972)	\$ 232,897	\$ 303,057	\$ 321,168	\$ 4,155,432

The Notes to the Financial Statements are an integral part of this statement.

Auburn University	University of South Alabama	Public Education Employees' Health Insur	State Employees' Health Insurance	Nonmajor Component Units	Total Component Units
\$ 70,747	\$ 177,552	\$ 4,907	\$ 7,768	\$ 627,937	\$ 2,075,450
1,141,112	432,081	80,723	180,096	290,658	5,603,578
-	-	-	748	871	196,742
-	-	-	4	-	71,293
46,483	71,356	7,948	1,041	224,593	688,862
-	-	-	-	241,697	792,696
2,820	-	13	809	4,816	24,325
52,856	4,701	-	-	90,370	544,510
-	-	213	16,860	2,224	23,795
4,006	-	-	-	8,235	35,215
-	26,860	-	-	4,656	31,516
5,296	21,066	3,411	573	40,554	211,111
1,035,324	358,739	-	2,440	667,812	4,696,697
101,609	114,405	-	-	310,872	758,760
-	4,171	-	-	-	4,171
2,460,253	1,210,931	97,215	210,339	2,515,295	15,758,721
-	-	18	3	287	1,618
5,441	-	194	385	4,749	23,781
-	-	420	550	2,891	13,602
-	-	-	41	1	71,293
46,703	28,742	223	5,069	57,502	491,637
9,124	-	-	-	6,342	71,936
-	-	-	-	28,159	125,219
-	-	213	16,860	2,224	23,795
140,181	34,500	-	9,746	146,306	632,375
19,296	-	-	-	23,078	291,010
36,600	14,334	76,374	55,450	119,522	498,656
565,505	453,887	783	1,276	919,216	6,815,379
822,850	531,463	78,225	89,380	1,310,277	9,060,301
616,821	202,240	-	2,440	566,296	2,859,973
157,634	81,173	-	-	108,103	900,302
269,249	198,445	-	-	113,930	1,156,230
-	-	-	-	164,783	718,033
-	-	-	-	14,261	14,261
593,699	197,610	18,990	118,519	237,645	1,049,621
\$ 1,637,403	\$ 679,468	\$ 18,990	\$ 120,959	\$ 1,205,018	\$ 6,698,420

STATE OF ALABAMA

STATEMENT OF ACTIVITIES

Component Units

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	Public School and College Authority	Mental Health	Housing Finance Authority	Water Pollution Control Authority	University of Alabama
Expenses	\$ 380,405	\$ 865,389	\$ 74,207	\$ 38,320	\$ 3,298,467
Program Revenues					
Charges for Services	308	28,132	48,713	19,016	2,079,319
Operating Grants and Contributions	-	45,492	-	29,196	774,087
Capital Grants and Contributions	-	-	-	-	83,228
Total Program Revenues	308	73,624	48,713	48,212	2,936,634
Net (Expense) Revenue	(380,097)	(791,765)	(25,494)	9,892	(361,833)
General Revenues:					
Grants and Contributions Not Restricted to Specific Programs	-	7,103	-	-	-
Investment Earnings	43,848	17	62,668	6,389	219,047
Miscellaneous	-	52,227	-	3,413	10,362
Contributions to Permanent Funds and Endowments	-	-	-	-	22,888
Payments from State of Alabama	171,822	790,468	-	695	477,548
Extraordinary Items	-	-	-	-	3,089
Total General Revenues, Special Items, and Transfers	215,670	849,815	62,668	10,497	732,934
Change in Net Assets	(164,427)	58,050	37,174	20,389	371,101
Net Assets, October 1, 2009, as Restated	(1,811,545)	174,847	265,883	300,779	3,784,331
Net Assets, September 30, 2010	\$ (1,975,972)	\$ 232,897	\$ 303,057	\$ 321,168	\$ 4,155,432

The Notes to the Financial Statements are an integral part of this statement.

Auburn University	University of South Alabama	Public Education Employees' Health Insur	State Employees' Health Insurance	Nonmajor Component Units	Total Component Units
\$ 827,659	\$ 608,196	\$ 789,269	\$ 439,229	\$ 1,136,131	\$ 8,457,272
414,433	411,620	763,255	460,769	502,261	4,727,826
204,666	37,225	5	8	270,023	1,360,702
47,598	20,292	-	-	23,420	174,538
666,697	469,137	763,260	460,777	795,704	6,263,066
(160,962)	(139,059)	(26,009)	21,548	(340,427)	(2,194,206)
-	-	-	-	1	7,104
50,797	35,549	295	7,905	27,696	454,211
-	24,959	-	2	5,467	96,430
166	4,909	-	-	4	27,967
257,210	107,850	-	-	412,561	2,218,154
-	-	-	-	-	3,089
308,173	173,267	295	7,907	445,729	2,806,955
147,211	34,208	(25,714)	29,455	105,302	612,749
1,490,192	645,260	44,704	91,504	1,099,716	6,085,671
\$ 1,637,403	\$ 679,468	\$ 18,990	\$ 120,959	\$ 1,205,018	\$ 6,698,420

STATE OF ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2010

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

As required by generally accepted accounting principles, these financial statements present the State of Alabama (the primary government) and its component units. Component units are legally separate organizations ("public corporations") for which the primary government is financially accountable. Generally, the primary government is financially accountable if it appoints a voting majority of the organization's board and it can either 1) impose its will on the organization, or 2) there is a financial benefit/burden relationship. If the primary government does not control the board, it may be financially accountable if the organization is fiscally dependent on the State. Organizations making up the primary government and its component units are summarized in the following paragraphs.

1. Primary Government

All state departments, agencies, elected officials, boards, commissions, authorities, committees, halls of fame, educational institutions, and other state organizations (hereafter referred to as "agencies") which are not legally separate are, for financial reporting purposes, part of the primary government. All agencies and funds that operate from within the State Treasury, except those listed later as component units, are part of the primary government. The following non-Treasury agencies operate largely independent of the control of the State Comptroller, State Auditor, and State Treasurer, but lack the corporate powers to make them legally separate and are therefore part of the primary government:

- Alabama College System
- Alabama Fire College
- Alabama Technology Network
- Athens State University
- Aviation Hall of Fame
- Cahawba Advisory Committee
- Commercial Mobile Radio Service Board
- Dental Examiners Board
- Dental Scholarships Awards Board
- Gorgas Memorial Board
- Alabama Industrial Development and Training Institute
- Marion Military Institute
- Medical Examiners and Licensure Commission
- Motor Sports Hall of Fame
- Optometric Scholarships Awards Board
- Optometry Board
- Pharmacy Board
- Pilotage Commission
- Podiatry Board
- School of Fine Arts
- St. Stephens Historical Commission
- State Port Authority
- Women's Hall of Fame

2. Blended Component Units

Blended component units are legally separate but they exist solely to provide services (usually financing) exclusively to the State. Because of this close relationship, they are blended with and reported as though they are a part of the primary government. All references in the financial statements or elsewhere in these notes to the term "primary government" will encompass both the primary government and the blended component units.

The following blended component units were created for the purpose of financing capital expenditures for the State. Each issues revenue bonds that are limited obligations of the component unit. Their boards consist of state officials and specific state revenues are pledged for bond repayment. Those marked with a † are currently inactive and had no financial balances or activity in the past fiscal year.

For the Fiscal Year Ended September 30, 2010

- Agriculture Markets and Coliseum Authority †
- Corrections Institution Finance Authority
- Federal Aid Highway Finance Authority
- Highway Authority †
- Industrial Access Road and Bridge Authority †
- Toll Road, Bridge and Tunnel Authority †
- Judicial Building Authority
- Alabama Trade School and Junior College Authority †
- Public Health Care Authority
- Gulf State Park Authority†

The Building Renovation Finance Authority has the same characteristics as those in the previous paragraph, but has the added responsibility of operating, maintaining, and renting buildings in the capitol complex that are occupied by state departments.

The State Parks System Improvement Corporation renovates, improves, maintains, and constructs assets belonging to the State Parks System. The six members of the Corporation are state officials.

The Forensic Science Bond Authority has the power to acquire, construct, and equip laboratories and other facilities for the State Department of Forensic Sciences. The four members of the Authority are state officials. The Authority had no financial activity in the past fiscal year.

The Alabama State Parking Deck Authority has the authority to sell bonds, operate, maintain, and rent space in a parking deck on a block in the capitol complex. The Authority has remained inactive since the enabling legislation was passed.

The Educational Television Foundation Authority exists to receive, invest, and expend donated moneys for the purpose of promoting the growth and development of educational television. The Authority consists of thirteen members who are appointed by the Alabama Public Television Commission. As a non-profit public corporation, the Authority provides financing flexibility that the Commission, as part of the primary government, would not otherwise have.

3. Discretely Presented Component Units

Discretely presented component units are organizations, which are legally separate and do not exist to provide services exclusively to the primary government. Providing services to the citizens of the state is not considered the same as providing services to the primary government institution. Financial information for discretely presented component units is segregated on the financial statements and the notes in the "Component Unit" columns in order to emphasize that they are legally separate.

Most of the discretely presented component units have boards that are controlled by the primary government through the appointment of a majority of the board members. The State has been determined to be financially accountable for each organization because it can impose its will on each organization. Unless otherwise noted, financial accountability for each organization described below exists at least in the ability of the State to modify the component unit's budget. Other manifestations of financial accountability may also exist.

For discretely presented component units whose boards are not controlled by the State, the organization has been determined to be fiscally dependent on the State. Unless otherwise noted, fiscal dependency exists at a minimum in the State's ability to modify the component unit's budget. Other manifestations of fiscal dependency may also exist.

When audited financial statements for a discretely presented component unit exist, the address at which such financial statements can be obtained is included in the following paragraphs describing each component unit. For all other discretely presented component units, complete financial statements may be obtained from the State of Alabama, Office of State Comptroller, RSA Union Building, Suite 206, Montgomery, AL 36130-2602.

The Water Pollution Control Authority operates a revolving loan fund to aid municipalities in financing the construction of wastewater treatment facilities. A five-member board of directors made up of ex officio members governs the Authority. Audited financial statements of the Authority may be obtained from the Alabama Department of Environmental Management, 1400 Coliseum Boulevard, Montgomery, AL 36130.

The Alabama Drinking Water Finance Authority operates a revolving loan fund to aid local governments in financing the construction of sanitary drinking water facilities. A five-member board of directors made up of ex officio members governs the Authority. Audited financial statements of the Authority may be obtained from the Alabama Department of Environmental Management, 1400 Coliseum Boulevard, Montgomery, AL 36130.

The Department of Mental Health provides mental health services to the people of Alabama. The Governor of the State and the commissioner of the Department constitute a public corporation and are advised by a sixteen-member board of trustees. The commissioner and ten of the board members are appointed at the discretion of the Governor. The Mental Health Finance Authority exists to provide financing services to the Department, is therefore a blended component unit of the Department, and is included in all amounts reported for Mental Health.

The Crime Victims Compensation Commission awards compensation for economic losses arising from criminal conduct and works to change laws to benefit crime victims. The Commission consists of three members who are appointed by the Governor.

The Tennessee Valley Exhibit Commission was created to operate a public exhibit based primarily on the history of and ongoing activities of the Tennessee Valley Authority and various other public entities involved in energy research and development. The sixteen-member Commission is appointed by the Governor. The building which housed the exhibit has been sold and the board is no longer actively operating but it has not been legally dissolved by the legislature.

The State Industrial Development Authority issues bonds and uses the proceeds to make grants to local industrial development boards. All members of the Authority are elected or appointed state officials.

The Alabama Education Foundation encourages donations of money for local school systems and invests the money for the benefit of each local system. The Foundation is governed by a twelve-member board that is made up of state officials and other individuals appointed by state authorities.

The Supercomputer Authority operates a supercomputer for the use of educational and governmental research institutions, private businesses, and individuals. The eleven directors of the Authority are appointed by state officials.

The Public Education Employees' Health Insurance Board operates a health insurance plan for employees of public school systems, state junior colleges, colleges, universities, and related education administrative employees. The State does not appoint a majority of the Board but the Board is fiscally dependent on the State. Audited financial statements of the board may be obtained at 201 South Union Street, Montgomery, AL 36104-0001.

The State Employees' Insurance Board operates health insurance plans for state employees and for employees of local governments. The State does not appoint a majority of the Board but the Board is fiscally dependent on the State. Audited financial statements of the board may be obtained at Suite 200, 201 South Union Street, Montgomery, AL 36104.

The boards of the four-year colleges of the State, except for the University of Alabama, are appointed by the State. Those colleges are: Alabama A&M University, Alabama State University, Auburn University, Jacksonville State University, University of Montevallo, University of West Alabama, University of North Alabama, University of South Alabama, and Troy University. The University of Alabama board of trustees is not controlled by the State, but the University is subject to budgetary control by the State. The Alabama Shakespeare Festival, Inc., the Crimson Tide Foundation, the Southern Research Institute, UAB Research Foundation, and Triton Health Systems, L.L.C. are blended component units of the University of Alabama, therefore, are included in all amounts reported for the University.

In addition to the blended component units, there are other legally separate, tax exempt organizations that are discretely presented component units of the universities. These organizations generally exist to raise funds to benefit a specific university. Although the university may not control the timing or amount of receipts from these foundations, the majority of resources that the foundations hold and invest are restricted to benefit the activities of the universities by the donors. Because the resources are held for the benefit of the universities, the foundations are considered the discretely presented component units of the universities and are included in each of the universities' financial statements. For the University of Alabama, the University's discretely presented component units are The National Alumni Association of The University of Alabama, The Capstone Foundation, The 1831 Foundation, The University of Alabama Law School Foundation, and The University of Alabama Huntsville Foundation. For Alabama State University, the Alabama State University Trust for Educational Excellence is a component unit. For Auburn University, the University's component units are The Auburn University Foundation, The Tigers Unlimited Foundation, and

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Auburn Alumni Association. The University of Montevallo Foundation, Inc. is a component unit of the University of Montevallo and is included in the amount reported for Montevallo. The University of South Alabama has three component units, the University of South Alabama Foundation, the University of South Alabama Health Services Foundation, and the USA Research and Technology Corporation. The Troy University Foundation is a component unit of Troy University. Jacksonville State University's component unit is Jacksonville State University Foundation, Inc. For the University of North Alabama, the University of North Alabama Foundation is a component unit and is included in the amount reported for North Alabama.

Complete financial statements for the universities which are audited by other auditors may be obtained at the following addresses: Chief Fiscal Officer, University of South Alabama, Business Office AD 380, Mobile, AL 36688-0002; Office of the Vice President for Business and Finance, Alabama A&M University, P.O. Box 369, Normal, AL 35762; Vice-President for Financial Affairs, University of Alabama at Tuscaloosa, P.O. Box 870136, Tuscaloosa, AL 35487-0136; Office of Accounting and Financial Reporting, The University of Alabama in Huntsville, 301 Sparkman Drive, Huntsville, AL 35899; Vice President for Financial Affairs and Administration, University of Alabama at Birmingham, AB 1030, 1530 3rd Avenue South, Birmingham, AL 35294-0110; Director of Financial Reporting, Auburn University, 321 Ingram Hall, Auburn University, AL 36849-5161; Comptroller, Station 6061, University of Montevallo, Montevallo, AL 35115-6000; Vice President for Fiscal Affairs, Alabama State University, 915 S. Jackson Street, Montgomery, AL 36104.

The Alabama Institute for the Deaf and Blind (AIDB) is an educational institution governed by a fourteen-member board, twelve of whom are appointed by the Governor. The Alabama Institute of Deaf and Blind Foundation, Inc. is a component unit of AIDB and is included in the amount reported.

The Marine Environmental Sciences Consortium provides educational programs in marine sciences for the graduate and undergraduate level and conducts research in marine sciences. The board of directors is composed of the chief executive officers of the member institutions.

The Alabama Public School and College Authority issues bonds and uses the proceeds to fund capital construction projects in the local school systems. The Governor, the finance director, and the state superintendent of education constitute the Authority.

The Tombigbee Valley Development Authority consists of six state officials who oversee the development of improvements along the Tombigbee River.

The Higher Education Loan Corporation provides Alabama lending institutions with a secondary market for student loans made under the federal guaranteed student loan program. Audited financial statements may be obtained from the Alabama Commission on Higher Education, P.O. Box 302000, Montgomery, AL 36130-2000.

The U.S.S. Alabama Battleship Commission consists of eighteen members appointed by the Governor. The Commission operates a memorial park centered near the historic battleship.

The fourteen-member board of directors of the Housing Finance Authority is appointed by various state officials. The Authority sells bonds and uses the proceeds to make it possible for lenders to make low interest rate mortgages available to low income home buyers. The primary government does not affect the Authority's budget, but the legislature has historically limited the Authority's ability to issue bonds. Audited financial statements may be obtained from the Authority, P.O. Box 230909, 2000 Interstate Park Drive, Suite 408, Montgomery, AL 36123-0909.

The Alabama Historic Ironworks Commission operates an historic park based on one of the State's early ironworks. Fourteen of the eighteen members of the commission are appointed by the Governor. Part of the Commission's budget is subject to State control.

The Space Science Exhibit Commission operates the Alabama Space and Rocket Center along with the Space Camp. All eighteen members of the Commission are appointed by the Governor and part of the Commission's budget is subject to State approval. Audited financial statements may be obtained from the Commission at the Alabama Space and Rocket Center, P. O. Box 070015, Huntsville, AL 35807-7015.

The Coosa Valley Development Authority oversees developments and improvements along the Coosa River. Six of the seven members of the Authority are state officials.

The Alabama International Airport Authority was created to develop an international airport in the State. The State controls the appointment of only five of the ten members. All funding for the Authority was historically through the General Fund, so the Authority is subject to full budgetary control. The Authority has received no funding for a number of years so is currently inactive.

The Historical Commission is responsible for the preservation of historic sites, buildings, and objects. The twenty-member Commission is not controlled by the State, but the Commission's budget is subject to State control.

The Choctawhatchee Pea and Yellow Rivers Watershed Management Authority develops and executes plans for water conservation and usage, flood control and prevention, water pollution control, wildlife habitat protection, and erosion control within the boundaries of the Authority. The directors of the Authority are elected by local residents, but the Authority is subject to State budgetary control.

The Agricultural Museum Board exists to preserve and exhibit agricultural artifacts. The Board is not controlled by the State, but it is subject to State budgetary control.

The Music Hall of Fame operates a public exhibit displaying music memorabilia in honor of Alabamians who have made a lasting contribution to music. The Hall has both an independent board and is fiscally independent of the State. The Hall is included in these financial statements because it would be misleading to exclude. The State has some limited budgetary influence and the State funded the construction of the Hall's facilities with a general obligation bond issue.

The Historic Blakeley Authority preserves the historic site of the town of Blakeley and operates a park on the site. The Authority has both an independent board and is fiscally independent of the State. The Authority is included in the reporting entity because the State has some limited budgetary influence and the State provides the majority of the Authority's funding.

The Alabama Incentives Financing Authority was created to fulfill the State's financial commitments made to industries locating and expanding in the State under the terms of legislation granting certain financial incentives. The Authority is made up of three state officials and is authorized to issue bonds to fulfill the State's financial commitments.

The Revolving Loan Fund Authority was created to make grants to twelve regional planning commissions for the purpose of financing local economic development projects. Four of the six members of the Authority are state officials.

The Alabama Twenty-first Century Authority was created to promote economic development and industrial recruitment. The Authority can issue revenue bonds and pledge part of the proceeds of the settlement of the tobacco industry litigation to finance the bonds. The Authority is made up of three state officials.

The Agricultural Development Authority promotes development of agriculture in the State by making low interest loans available to persons engaged in agricultural operations. The seven-member board is made up of three state officials and four other persons appointed by the State.

The Public Historical Sites and Parks Improvement Corporation renovates, improves, maintains, and constructs State owned public historical sites and parks not under the jurisdiction of the Department of Conservation and Natural Resources as well as non-State owned public historical sites and parks. The six members of the Corporation are state officials.

The Red Mountain Greenway and Recreational Area Commission is responsible for preserving, restoring, and promoting as a greenway, recreational area, or historic site certain land in Birmingham which played an important role in the steel industry of the State. The fifteen member Commission is not controlled by the State, but the Commission is fiscally dependent on the State.

4. Fiduciary Component Units

Fiduciary component units are required by GAAP to be reported as fiduciary funds of the primary government rather than as discretely presented component units. In accordance with GAAP, fiduciary funds and component units that are fiduciary in nature are excluded from the government-wide financial statements.

The Employees' Retirement System (ERS), a discretely presented component unit, operates several pension (and other employee benefit) trust funds for the benefit of state and local governmental employees. The ERS is governed by a thirteen-member board of control, seven of whom are either primary government officials or appointees of the Governor.

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The Teachers' Retirement System (TRS), a discretely presented component unit, operates a pension plan for the benefit of all employees of public education institutions throughout the State. It is governed by a fourteen-member board, ten of whom are elected from among the member employees. The administrative budget of TRS is subject to approval by the State. Audited financial statements for the TRS and ERS may be obtained from the RSA at 201 South Union Street, P.O. Box 302150, Montgomery, AL 36130-2150.

5. Excluded Organizations

Other entities have been examined but failed to meet the criteria for inclusion in the State's reporting entity. City and county boards of education are legally separate organizations whose boards are not controlled by the State. They are fiscally dependent on both the State and local government. It is more appropriate that they be included in a local government's reporting entity.

The Elk River Development Agency, Bear Creek Development Authority, and Cahaba Trace Commission are legally separate organizations whose boards are not controlled by the State nor are they fiscally dependent on the State. All three of these organizations are excluded. The many local soil and water conservation districts are legally separate organizations which have independent boards and are fiscally independent. In keeping with their independence, they are excluded from this report.

6. Sources of Information

The majority of state organizations, whether primary government or component unit, conduct their financial operations from the State Treasury through the State's central accounting system under the supervision and review of the State Comptroller, State Treasurer, and State Auditor. The source of information on these agencies is the State's central accounting system. For these agencies, the recording of cash, warrants payable, encumbrances, salaries payable, compensated absences, most investments, most short-term payables, most revenues, and most expenditures/expenses are controlled by the State Comptroller and/or the State Treasurer and are therefore subject to extensive scrutiny. Accruals of revenues, a few accruals of expenditures/expenses, and all other accounts, such as depreciation, capital assets, inventories, and capital leases, generally are based on data provided by the individual agencies. The data provided by the agencies are reviewed and recorded once a year and are believed to be materially correct even though they are not generally subject to extensive scrutiny by the State Comptroller, State Treasurer, or State Auditor.

There are some organizations and funds which meet the criteria for inclusion as part of the reporting entity even though they have the authority to conduct their financial operations through bank accounts and accounting systems outside the State Treasury, independent of the direct daily control of the State Comptroller, State Treasurer, and State Auditor. These non-Treasury agencies are included in the financial statements based on information provided to the State Comptroller once a year by the agency or the agency's auditors. Whenever possible, the non-Treasury agencies are reported as they appeared in the information submitted to the State Comptroller. However, corrections or modifications have been made whenever required to comply with generally accepted accounting principles or wherever necessary to ensure consistent statewide report presentation.

The following non-Treasury agencies and funds are included in this report:

a. Primary Government

- Alabama College Education Savings Trust Fund
- Alabama College System
- Alabama Health Insurance Plan
- Alabama Industrial Development Training Institute
- Alabama School of Fine Arts
- Alabama State Port Authority
- Alabama Fire College
- Alabama Technology Network
- Athens State University
- Attorney General Outside Accounts
- Aviation Hall of Fame
- Blind Vendors Fund
- C.C. Smith Trust Fund
- Cahawba Advisory Committee
- Charlotte Thorn Endowment Fund
- Commercial Mobile Radio Service Board
- Corrections Bank Accounts and Agency Funds
- Corrections Canteen Funds

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- Court System Local Accounts
 - Dental Examiners Board
 - Dental Scholarships Awards Board
 - Department of Human Resources Local Funds and Child Support Funds
 - Educational Television Foundation Authority
 - Geological Survey Library Revolving Fund
 - Gorgas Memorial Board
 - Hicks Memorial Endowment Fund
 - High School of Math and Science
 - Insurance Department Statutory Deposits
 - Insurance Department Receivership
 - Juror Certificate Fund
 - Marion Military Institute
 - Mary May Eliot Memorial Fund
 - Medicaid Agency Lien Account
 - Medical Scholarships Awards Account
 - Medical Examiners and Licensure Commission
 - Men's Hall of Fame Outside Account
 - Military Department Unit Funds
 - Motor Sports Hall of Fame
 - National Guard Canteen Funds
 - Non-Emergency Transportation
 - Optometry Board
 - Optometric Scholarships Awards Board
 - Peace Officers' Annuity and Benefit Investment Account
 - Pharmacy Board
 - Pilotage Commission
 - Podiatry Board
 - Public Health Care Authority
 - Public Health Local Funds
 - Public Safety Narcotics Funds
 - Sports Hall of Fame Checking Account
 - St. Stephens Historical Commission
 - State Bar Checking Account
 - State Bar Client Security
 - State Bar Foundation
 - State Port Authority Hourly Pension Plan
 - State Port Authority Railway Pension Plan
 - Stonewall Jackson Memorial Fund
 - Student Assistance Initiated Loan Servicing Account
 - Supreme Court Checking Account
 - Supreme Court Law Library Checking Account
 - Unemployment Compensation Funds
 - Victims Services Fund
 - W.V. Chambliss Trust Fund
 - Women's Hall of Fame
 - Youth Service Student Accounts and Local Funds

b. Discretely Presented Component Units

- Alabama Agricultural & Mechanical University
- Alabama Drinking Water Finance Authority
- Alabama Higher Education Loan Corporation
- Alabama Historic Ironworks Commission

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For the Fiscal Year Ended September 30, 2010

- Alabama Housing Finance Authority
- Alabama Incentives Financing Authority
- Alabama Institute for Deaf and Blind
- Alabama State University
- Auburn University
- Historic Blakeley Authority
- Crime Victims' Compensation Fund
- Jacksonville State University
- Marine Environmental Sciences Consortium
- Mental Health Capital Projects - Bank Account
- Music Hall of Fame
- Red Mountain Greenway and Recreational Area Commission
- Space Science Exhibit Commission and
Space Science Exhibit Finance Authority
- Troy University
- U.S.S. Alabama Battleship Commission
- University of Alabama in Birmingham
- University of Alabama in Huntsville
- University of Alabama System Office
- University of Alabama in Tuscaloosa
- University of Montevallo
- University of North Alabama
- University of South Alabama
- University of West Alabama
- Water Pollution Control Authority

B. Government-Wide and Fund Financial Statements

1. Government-Wide Financial Statements

Government-wide financial statements include two basic financial statements: the Statement of Net Assets and the Statement of Activities. The two statements report the State's governmental activities separately from its business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Fiduciary funds and fiduciary-type component units are excluded from the government-wide financial statements.

The Statement of Net Assets presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets. Net Assets are reported in three categories:

Invested in Capital Assets, Net of Related Debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted Net Assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, to indicate that management does not consider them available for general operations.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are reported as general revenue.

2. Fund Financial Statements

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with nonmajor funds being combined into a single column.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

1. Measurement Focus and Basis of Accounting

These financial statements are reported in conformity with generally accepted accounting principles (GAAP) unless otherwise noted on the face of the statement or in the Notes to the Financial Statements. GAAP basis reporting differs considerably in some ways from the budgetary and cash basis accounting under which the State budgets and operates.

a. Accrual Basis

Under GAAP, the government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Agency funds, however, do not have a measurement focus. Revenues are recognized and recorded when earned and expenses are recorded when a liability is incurred for exchange and exchange-like transactions, regardless of the timing of cash flows. For nonexchange transactions, revenues and expenditures and related assets and liabilities are recognized as required by GASB Statement No. 33. For derived nonexchange transactions, receivables and revenues are recognized when the underlying exchange has occurred. For imposed nonexchange transactions, receivables are recognized when an enforceable legal claim has arisen. Revenues are recognized when resources are required to be used or the first period that use is permitted.

Property taxes are recognized as revenues in the year for which they are levied. For government mandated nonexchange revenues such as grants, GAAP require the recognition of assets, revenues, liabilities, and expenditures when all eligibility requirements have been met and (for revenues) resources are available. Agency funds, fiduciary in nature, do not recognize revenues and expenditures.

The State has elected to exercise paragraph 6 of GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting." Statement No. 20, paragraph 6, requires that all proprietary activities should apply all applicable GASB pronouncements as well as any Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure (CAP) issued on or before November 30, 1989, unless such FASB, APB, and CAP pronouncements conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989, even if they modify an applicable FASB, APB, or CAP pronouncement, are not applicable unless adopted by a GASB pronouncement.

b. Modified Accrual Basis

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this focus, only current assets and current liabilities generally are included on the balance sheet. Revenues are recognized as they become susceptible to accrual; generally when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State generally considers tax revenues and court settlements to be available if they are collected within sixty days of the end of the fiscal period. Revenues that the State earns by incurring obligations are recognized in the period when all applicable eligibility requirements have been met and the resources are available. The State considers revenues earned by incurring obligations to be available if they are collected within sixty days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments are recorded only when payment is due and payable.

Under the modified accrual basis of accounting, recognition criteria are different for exchange and nonexchange transactions. For exchange and exchange-like transactions, revenues and related current assets are recognized when measurable and available to finance operations during the year or if available to liquidate liabilities existing at the end of the year. Therefore, in governmental fund financial statements, revenues and the resulting assets are accrued at year-end only if the revenues are earned and the receivables are expected to be collected in time to pay for liabilities in existence at the end of the period. Expenditures are recognized when the related fund liability is incurred, except for items that are not expected to be liquidated with expendable available resources, such as the long-term portion of compensated absences payable and capital lease obligations. Therefore, expenditures and the related liabilities are accrued at year-end only when they are normally payable from current expendable

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funds. In order to determine which revenues should be accrued, an arbitrary time limit is established. Revenues are recognized when measurable and available. The State uses sixty days after fiscal year end as the time limit for the accrual of revenues. For nonexchange transactions, revenues and expenditures and related assets and liabilities are recognized as required by GASB Statement No. 33. For income taxes, general sales taxes, utility taxes, insurance premium taxes, general use taxes, gasoline taxes, motor fuels tax, electric public utility tax, and other derived nonexchange transactions, receivables and revenues are recognized when the underlying exchange has occurred and the resources are available. For property taxes, business privilege tax, and other imposed nonexchange transactions, receivables are recognized when an enforceable legal claim has arisen. Revenues are recognized when resources are required to be used or the first period that use is permitted and the resources are available. For property taxes, revenues are recognized if received within sixty days; otherwise, deferred revenue is recognized. For federal grants and other government mandated nonexchange revenues, assets, revenues, liabilities, and expenditures are recognized when all eligibility requirements have been met and (for revenues) resources are available. For reimbursement-type federal grants, eligibility requirements are met when recipients incur allowable costs, not when those costs are submitted for reimbursement.

Material accruals are for income taxes, general sales taxes, utility taxes, insurance premium taxes, general use taxes, gasoline taxes, motor fuels tax, electric public utilities tax, property taxes, business privilege tax, hospital assessment fees, nursing facility tax, pharmaceutical services tax, federal grants, oil and gas royalties, investment sales receivables, and interest. Also, a one time receivable for Medicaid reimbursements from the Alabama Hospital Association is accrued.

2. Financial Statement Presentation

a. Major Funds

The State reports six major governmental funds. The **General Fund** is the State's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. The **Education Trust Fund** accounts for the revenues collected for the support, maintenance, and development of public education in Alabama. The **Alabama Trust Fund** consists of income from the sale or lease of rights for offshore exploration and drilling for oil and gas off the Alabama coast. Investment income is used to support the General Fund, Forever Wild Land Trust, and a variety of capital projects and debt service. **Medicaid** accounts for the portion of the Medicaid program that is funded by Federal revenues and other non-State revenue sources. The **Public Road and Bridge Fund** accounts for highway construction, maintenance, and operations. The **Public Welfare Trust Fund** accounts for the administration of a broad range of social and protective services programs that provide financial assistance to individuals.

The State reports four major enterprise funds. The **Unemployment Compensation Trust** accounts for the activities of the federal unemployment insurance program including employer contributions, Federal Unemployment Trust advances, and benefit claims to the unemployed. The **State Port Authority** was created to engage in promoting, developing, constructing, maintaining, and operating harbors, seaports, and river ports within the State of Alabama. The **Alabama College System** accounts for the revenues and expenses of the State's Community and Technical Colleges, Athens State University, the Alabama Industrial Development and Training Institute, the Alabama Technology Network, the Alabama Fire College, and Marion Military Institute. The **Alcoholic Beverage Control Board** was created to control alcoholic beverages through distribution, licensing, and enforcement.

b. Nonmajor Funds

The State reports a number of nonmajor governmental funds, proprietary funds, and fiduciary funds.

Governmental Fund Types:

Special Revenue Funds include operating fund activities financed by specific revenue sources that are legally restricted for specific purposes. Examples include public health, education, and economic and community affairs.

Debt Service Funds account for the accumulation of resources for, and the payment of, governmental long-term debt principal and interest.

Capital Projects Funds account for the acquisition, construction, and improvement of major general governmental capital assets financed principally by bond proceeds.

Permanent Funds report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizenry.

Proprietary Fund Types:

Enterprise Funds report the activities for which fees are charged to external users for goods or services such as health insurance.

Internal Service Funds provide goods or services primarily to other agencies or funds of the State, rather than to the general public. Examples include information technology, telecommunications, office building rentals, and the State Motor Pool. In the government-wide statements, internal service funds are included with governmental activities. Eliminations have been made to minimize the double counting of internal activity, including internal service fund type activity on the government-wide financial statements.

Fiduciary Fund Types:

Pension and Other Employee Benefit Trust Funds account for resources that are required to be held in trust for the members and beneficiaries of the State's defined benefit pension plans, deferred compensation plan, individual retirement accounts, post-employment health care plans, and flexible employees' benefit plans. The defined benefit pension plans include plans for state employees, state police, some city and county employees, teachers, judges, peace officers, state dock employees, and circuit clerks of the courts.

Private Purpose Trust Funds account for resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments. The State's largest private purpose funds are education related for either college tuition benefits or local public schools. There are five endowment funds established by private citizens that the State manages as trustee for local school systems and reports as Local Education Endowments. The Foundation for Local Schools was established so that the Retirement Systems of Alabama can use its investing expertise to get maximum return on investments for numerous small local school foundations and trusts.

Agency Funds report assets and liabilities for deposits and investments entrusted to the State as an agent for others. The State has agency funds that account for some taxes collected, payroll withholdings, child support payments, cash bonds, and other purposes.

D. Fiscal Year

The State fiscal year ends on September 30. One component unit, the Alabama Space Science Exhibit Commission, has the power to set its own fiscal year (*Code of Alabama 1975*, Section 41-10-307, as amended). The Commission has set its fiscal year to end on the last Sunday in September in order to coordinate its accounting period with the weekly cycle of campers. The Commission's fiscal year for 2010 ended on September 26. The difference in fiscal years had no material effect on the financial statements.

E. Assets, Liabilities, and Net Assets and Fund Balances

1. Cash and Cash Equivalents

Cash and Cash Equivalents, as reported on the financial statements (the government-wide and the fund financial statements), are under the control of the State Treasurer or other administrative bodies as determined by law. The cash in all funds operating from the State Treasury is pooled as treasury cash and invested by the State Treasurer. The State Treasurer has statutory authority to invest treasury cash in demand accounts or time deposit-open accounts with any qualified public depository. The State Treasurer can also invest up to twenty percent of treasury cash in securities and obligations of the U.S. Treasury or federal agencies for a period of time that may exceed one year. All of the cash and investments in the State Treasury cash management pool are reported as cash and cash equivalents because the pool is used essentially as a demand deposit account. Commercial paper is reported as an investment regardless of the original maturity date. For funds operating outside the State Treasury, cash and cash equivalents generally include demand deposit accounts, petty cash accounts, and short-term, highly liquid investments with a maturity date of three months or less when purchased.

2. Receivables

In the government-wide and governmental fund financial statements, the largest receivables are amounts accrued for income taxes, general sales taxes, utility taxes, insurance premium taxes, general use taxes, and property taxes as required by GASB Statement No. 33.

The second largest receivables are amounts due from other governments, consisting almost entirely of grants and reimbursements due from the federal government where collectability is reasonably assured. Accordingly, no allowance for uncollectible accounts has been established. Amounts due from local governments are not a significant portion of amounts due from other governments.

For the Fiscal Year Ended September 30, 2010

The property tax calendar for the State is simple. The levy date, the assessment date, and the lien date are all the same date – October 1. On October 1, the assessed value of all property is multiplied by the applicable rates to levy the property tax. On that date, the State has a lien (a legal claim) against the property. The property tax is not due until October 1 the following year. The property tax is paid in arrears between October 1 and December 31. After December 31, it is delinquent.

The most significant Accounts Receivable is recorded in Medicaid. The Medicaid receivable was for a one-time reimbursement from the Alabama Hospital Association for the Prepaid Hospital Plan which will be replaced by a new program in fiscal year 2011. The second most significant Accounts Receivable is recorded in the Alabama Trust Fund for oil and gas royalties earned on natural gas produced in Alabama's offshore waters. The primary government has minimal amounts of Notes and Loans Receivable, as such agreements would constitute an illegal extension of credit by the State for any fund operating from the State Treasury. Interest and Dividends Receivable includes amounts earned on investments, notes, mortgages, and loans receivable. Investment Sales Receivable consists of amounts receivable for investments sold but the transaction was not settled before year-end.

For component units, about half of Mortgages, Notes, and Loans Receivable consist of loans made by the Alabama Housing Finance Authority. The mortgage loans of the Authority are carried at their unpaid principal balances less an allowance for loan losses. Also included in this category are student loans owed to various Universities and the Alabama Higher Education Loan Corporation. The loans are reported net of an allowance for uncollectible loans.

Due From Other Governments as reported for the component units consists almost entirely of amounts owed by local governments. Most of the amount consists of loans made by the Alabama Water Pollution Control Authority and the Drinking Water Finance Authority. Accounts Receivable as reported for the component units are comprised primarily of amounts owed to colleges.

3. Interfund Activity and Balances

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are reported as either Due To Other Funds or Due From Other Funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as Internal Balances. Receivables and payables involving fiduciary funds are presented as accounts payable or receivable on the government-wide Statement of Net Assets.

Eliminations have been made to minimize the double-counting of internal activity, including internal service fund type activity on the government-wide financial statements. However, interfund services, provided and used between different functions, have not been eliminated in order to avoid distorting the direct costs and program revenues of the applicable functions. Operating transfers between governmental and business-type activities are reported at the net amount on the government-wide financial statements.

In the fund financial statements, transactions for services rendered by one fund to another are treated as revenues of the recipient fund and expenditures/expenses of the disbursing fund. Reimbursements of expenditures/expenses made by one fund for another are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the reimbursed fund. Transfers represent flows of assets between funds of the primary government without equivalent flows of assets in return and without a requirement for payment.

4. Inventories

Inventories of supplies in governmental fund financial statements are reported at cost using the purchases method. An inventory asset account is reported on the balance sheet with an offset to Reserved for Inventory. Inventories of materials and supplies on proprietary fund financial statements are determined by both physical counts and through perpetual inventory systems and are valued at the lower of cost or market. Valuation methods used on the proprietary and governmental fund financial statements include first-in first-out, average cost, weighted average, and retail inventory method.

5. Investments

Investments as reported on the Statement of Net Assets include long-term investments. As required by GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", most investments are recorded at fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Short-term investments are reported at cost, which approximates fair value. Mortgage-backed securities are reported based on future principal and interest payments discounted at the current interest rate for similar instruments. The fair value of real estate investments is based on independent appraisals. No investments are recorded at amortized cost.

6. Restricted Assets

Assets required to be held and/or used as specified in bond covenants, other debt agreements, donor specifications, and court settlements have been recorded as "Restricted Assets." These assets consist primarily of cash and cash equivalents, U.S. Treasury obligations and certificates of deposit.

7. Capital Assets

Capital assets, which include buildings, land, equipment, intangibles, and infrastructure (e.g., roads and bridges), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Most capital assets are defined by the State as assets with an initial cost of at least \$5,000 and have initial useful lives extending beyond a single reporting period. Software and other intangibles must have an initial cost of at least \$100,000. Capitalized assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements Other than Buildings	25
Equipment	5-12
Software	10

Land, infrastructure, construction in progress and historical artifacts are not depreciated. The State has elected to apply the modified approach to accounting for infrastructure (e.g., roadways, bridges, and tunnels). Under this approach, the infrastructure assets are not depreciated because the State is committed to maintaining the assets at a minimum condition level that the Department of Transportation (ALDOT) has determined to be adequate to meet the needs of the citizens. Costs for maintenance and preservation are expensed in the period incurred. Additions and improvements are capitalized. The ALDOT maintains an inventory of all infrastructure assets and performs regular condition assessments of those assets to establish that they are in fact being maintained at or above the condition level established. ALDOT also makes an annual estimate of the cost necessary to maintain and preserve those infrastructure assets at the target condition level. The cost of infrastructure reported includes historical costs from 1980 to the present as required by GASB Statement No. 34 as well as historical costs preceding 1980.

Extensive project documentation is required to meet various Federal and State guidelines concerning the construction of infrastructure. The completeness of this documentation affects the timing of project capitalization. The State capitalizes road and bridge infrastructure annually when all costs for a project are incurred and all project documentation is satisfactorily completed, filed and accepted with the appropriate entities. Projects that meet the cost and documentation criteria are closed and appropriate entries are made to adjust the Infrastructure Construction in Progress and Infrastructure asset accounts annually. Due to the documentation requirements, there can be substantial time lags between the date a project is put into service on the State's roadway network and the date the project is capitalized. A significant portion of Infrastructure Construction in Progress consists of projects that have been put into service and maintenance costs could have been incurred.

8. Compensated Absences

Employees in permanent positions accrue annual leave at a rate of four hours and 20 minutes to nine hours and 45 minutes semi-monthly, depending upon their length of service. Upon separation from service, an eligible employee is paid for the actual number of annual leave days he has earned, up to a maximum of sixty days, with the amount being computed on the basis of his daily pay rate at time of separation multiplied by the number of days leave due.

Sick leave is accrued at a rate of four hours and 20 minutes semi-monthly. Employees may accumulate up to a maximum of 150 days sick leave. Employees may be compensated for one-half of the maximum accrued sick leave only upon retirement from state service. The employee must have twenty-five years of service or have attained the age of 60 and have ten years of service to be eligible to retire. State Troopers must have twenty-five years of service or have attained the age of 52 and have ten years of service to be eligible to retire. If a state employee in the classified service dies while in active service to the State, the estate of the deceased employee receives a payment of fifty percent of the accrued and unused sick leave, not to exceed 600 hours, which the employee was credited with at the time of his or her death.

The monetary value of accumulated annual and sick leave payable upon termination or retirement is included in the government-wide statement of net assets, proprietary fund financial statements, and fiduciary fund financial statements. In the governmental fund financial statements, amounts reported are for unused, matured leave amounts payable to employees whose employment was

For the Fiscal Year Ended September 30, 2010

terminated by September 30. These amounts are paid to the employees during the first month after the end of the fiscal year so those actual payments were used to compute the amount payable. Amounts not payable from expendable available resources (long-term liabilities) are reported in the government-wide Statement of Net Assets.

The liability for compensated absences was computed using salary rates effective at fiscal year end including the employer's share of social security and Medicare taxes payable and represents annual and sick leave earned up to the allowable ceilings. The sick leave is calculated separately for vested and non-vested employees. Sick leave is subjected to an actuarially determined probability multiplier that the employee will remain to retire and collect sick leave. The probability multipliers are as follows:

	<u>Vested</u>	<u>Non-vested</u>
Public Education Employees	0.84	0.46
State Employees	0.77	0.34

9. Long-Term Obligations

Long-term debt is recognized as a liability in governmental fund financial statements when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a liability in governmental fund financial statements. The remaining portion of such obligations is reported in the government-wide financial statements. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds in the proprietary fund financial statements.

10. Net Assets and Fund Balances

As discussed previously, net assets on the government-wide financial statements and the proprietary fund financial statements are reported in three categories: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. Reservations of fund balance on the governmental fund financial statements indicate that a portion of the fund balance is not available for appropriation and expenditure or is legally segregated for a specific future use. Fund balance designations are established to indicate tentative plans for financial resource utilization in a future period. Such designations reflect managerial plans or intent as distinguished from legally required reserves.

F. Proprietary Fund Operating Revenues and Expenses

Proprietary funds report operating revenues and expenses separately from non-operating items. Operating items generally result from producing and delivering goods and services that are a normal part of the primary business of the fund. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

G. New Accounting Pronouncements

During the current fiscal year, the State implemented the following new accounting pronouncements:

- GASB Statement No. 51: Accounting and Financial Reporting for Intangible Assets
- GASB Statement No. 53: Accounting and Financial Reporting for Derivative Instruments
- GASB Statement No. 58: Accounting and Financial Reporting for Chapter 9 Bankruptcies

NOTE 2 - FUND BALANCES/NET ASSETS

A. Restricted Net Assets

The Government-wide Statement of Net Assets reports \$5 billion of restricted net assets for the primary government, of which \$296 million is restricted by enabling legislation.

B. Restatements

Fund Balances and Net Assets as of October 1, 2009 have been restated for certain accounting changes necessary to conform to GAAP. No major primary government governmental funds were restated, nor were any fiduciary funds restated. However, fund balance for The Public Health Care Authority, a Nonmajor Debt Service Fund, was restated by \$317,000 from \$307,000 to \$624,000 for a receivable not reported in 2009. Internal Service Funds were restated by \$2,307,000, primarily because receivables and capital assets were understated.

Net assets for the Port Authority were restated by \$13,912,000 to book a derivative in conjunction with the implementation of GASB Statement 53. Net assets for the Alabama College System were restated by \$3,417,000, the largest portion of which was \$2,405,000 increase in capital assets. Net Assets for nonmajor enterprise funds decreased \$1,352,000 while internal service funds increased by the same amount because a fund was reclassified when it ceased to do business with external users.

On the government-wide financial statements, beginning net assets for governmental activities were restated down from \$22,083,318 to \$22,077,358, a decrease of \$5,960,000. Included in this restatement was (\$13,379,000) in governmental long-term debt restatements for capital leases which were not reported in the previous year. Governmental capital assets were restated in total by \$5,932,000, of which \$777,000 was associated with the implementation of GASB Statement 51.

The Alabama Public School and College Authority, a major component unit, was restated by \$75,560,000 from a deficit of 1,735,985,000 to a deficit of 1,811,545,000 as part of the implementation of GASB Statement 53 on accounting for derivatives.

The University of Alabama, a major component unit, was restated down by \$64,097,000 because the University of Alabama Birmingham Hospital incorporated in 2010 the operations of an entity previously considered to be an affiliated organization. Nonmajor Component Units were restated up \$781,000.

The University of South Alabama, a major component unit, was restated down by \$8,015,000 resulting from the implementation of GASB Statement 53 on accounting for derivatives.

C. Fund Balance/Net Assets Deficits

1. Primary Government

The Education Trust Fund, a major governmental fund, had a deficit in unreserved, undesignated fund balance of \$247,559,000, and a total deficit in fund balance of \$244,526,000. Tax shortfalls caused the budget of the fund to undergo 9.5 percent proration in 2010. The fund still owes the Alabama Trust Fund \$437.4 million that was borrowed from the Rainy Day Trust Account in fiscal year 2009 under the provisions of Amendment 803 of the *Constitution of Alabama of 1901*.

The Unemployment Compensation Trust, a major proprietary fund, had a deficit in unrestricted net assets of \$152,806,000. The deficit is the result of a \$283,671,000 advance from the Federal Government which is included in "Due to Other Governments."

The Alcoholic Beverage Control Board, a major proprietary fund, had a deficit in unrestricted net assets of \$17,510,000, with a total net asset deficit of \$13,459,000. The deficits are largely due to the accrual of liabilities for compensated absences, salaries payable, other post-employment benefits, and profits currently due to other funds. The Board, by law, operates on a cash basis and is required to distribute 100 percent of its profits.

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The Building Renovation Finance Authority, an internal service fund, had a deficit balance of \$5,167,000 in net assets invested in capital assets, net of related debt. The fund's major assets are buildings, which have depreciated values that are less than the principal remaining on the long-term debt associated with them. The fund had overall positive net assets of \$8,173,000.

The Flexible Employees' Benefits Board, an Other Employee Benefit Trust Fund, had deficit net assets of \$1,510,000 because of liabilities to employees for health care and dependent care reimbursements. The fund does not break even until the end of December because it operates on a calendar year basis.

2. Component Units

The Public School and College Authority, a major component unit, had a deficit in unrestricted net assets of \$1,986,760,000 causing a deficit in total net assets of \$1,975,972,000. The Authority issues bonds to raise money for grants which are made primarily to local school systems for the construction and improvement of educational buildings owned by those systems. The bonds will be repaid with future tax revenues pledged by the primary government.

Alabama Agricultural & Mechanical University, a nonmajor component unit, has a deficit of \$7,754,000 in unrestricted net assets, but overall net assets are a positive \$79,611,000.

The Space Science Exhibit Commission, a nonmajor component unit, had a deficit in unrestricted net assets of \$6,994,000 and positive overall net assets of \$35,417,000. Nearly all of the Commission's assets are either restricted or capital assets.

The Incentives Finance Authority, a nonmajor component unit, had a deficit in unrestricted net assets of \$101,529,000 with an overall deficit in total net assets of \$92,811,000. The Authority issues bonds to raise money to fund commitments for economic development grants to industries relocating to Alabama and therefore the Authority accumulates few assets. The resources to pay the debt will come from future tax revenues pledged by the primary government.

The Historic Ironworks Commission, a nonmajor component unit, had a deficit in unrestricted net assets of \$21,000, with positive total net assets of \$3,042,000.

The Revolving Loan Fund Authority, a nonmajor component unit, had a deficit in unrestricted net assets and in total net assets of \$8,387,000. The Authority issues bonds for making grants to Regional Planning and Development Commissions to be utilized as revolving loans by the grantees. The resources to repay the debt will come from future tax revenues pledged by the primary government.

NOTE 3 - ASSETS**A. Cash Deposits**

The State Treasurer has statutory authority to deposit treasury cash in demand accounts or time deposit - open accounts with any qualified public depository. The State Treasurer may also invest up to twenty percent of treasury cash in securities and obligations of the U.S. Treasury or federal agencies for a period of time that may exceed one year. Funds may also be invested in obligations of the United States or its agencies under a repurchase agreement for a shorter period of time than the maturity date of the security.

Deposits of both the primary government and its component units are entirely insured by Federal depository insurance or protected under the Security for Alabama Funds Enhancement (SAFE) Program. The *Code of Alabama 1975*, as amended, requires all State organizations, including component units, to participate in the SAFE Program. The SAFE Program is a multiple financial institution collateral pool. The SAFE Program requires State treasury cash to be deposited in a financial institution designated by the State Treasurer as a qualified public depository. Each qualified public depository is required to pledge collateral in accordance with the rules established by the SAFE Board of Directors. In the event that a qualified public depository defaults or becomes insolvent and the pledged collateral is insufficient to satisfy the claims of public depositors, the *Code of Alabama 1975*, Section 41-14A-9(3) authorizes the State Treasurer to make assessments against the other qualified public depositories in the pool so that there will be no loss of public funds. Also, all other public funds not managed by the State Treasurer are required to be deposited in a qualified public depository or placed through a qualified public depository which arranges for the funds to be deposited in federally insured banks or savings associations so that the funds and accrued interest earned on them are fully insured by the

Federal Deposit Insurance Corporation and, at the same time, the qualified public depository receives or is credited with deposits from other banks or savings associations in an amount equal to or greater than the amount it arranged to be deposited in other banks and savings associations.

B. Investments

Investments are made in accordance with the statutes creating the various agencies of the State of Alabama. The following describes the investments made by the major investing agencies of the State:

1. Primary Government

State Treasurer - The State Treasurer may legally invest state funds in obligations of the U.S. Treasury, Federal Land Bank bonds, Federal Home Loan Bank notes and bonds, Federal National Mortgage Association notes, and debentures or obligations guaranteed by the U.S. government. Investments in obligations of the United States or its agencies under a repurchase agreement are allowed. The State Treasurer may also invest in money market mutual funds which invest solely in U.S. government or U.S. government agency securities.

Alabama Trust Fund – Investments are limited to those authorized by law for the Retirement Systems of Alabama. The investments authorized for the Retirement Systems are described later in this section.

Prepaid Affordable College Tuition (PACT) Program - The State is responsible for the management of the investments of the PACT program, although the investments are not property of the State. The funds may be invested in any instrument, obligation, security or property that constitutes legal investments for investment of public funds in the State, including legal investments of the State Treasurer and the Alabama Trust Fund that are deemed most appropriate by the PACT Board and may be pooled for investment purposes with any other investment of the State which is eligible for asset pooling.

Alabama College Education Savings (ACES) Plan – The Board of Trustees administers the program. The Board of Trustees has entered into a contract with UBT 529 Services (Union Bank), a division of Union Bank and Trust Company. The investment alternatives are made available through investment portfolios each of which represents a separate, segregated portfolio of investments in mutual funds. The asset allocations for each portfolio are in consultation with the Program Manager, Union Bank, and day-to-day administration has been delegated to the State Treasurer.

2. Fiduciary Funds

Retirement Systems of Alabama (RSA) - The RSA administers the Teachers' Retirement System (TRS), Employees' Retirement System (ERS), and Judicial Retirement Fund (JRF). RSA may invest in any types of investments that the Board of Control of each individual system approves. Each Board is limited only by the "Prudent Man Rule" which requires it to use due care, skill, prudence, and diligence under the prevailing circumstances that a prudent man acting in a like capacity and familiar with such matters would use in investing.

Deferred Compensation Plan (RSA-1) – A deferred compensation plan is administered by the Retirement Systems of Alabama (RSA). The plan is named the Public Employees' Individual Retirement Account/Deferred Compensation Plan, and is commonly referred to as RSA-1. By law, RSA-1 investments are made under the same rules, regulations, conditions, and guidelines governing the RSA.

3. Component Units

Alabama Water Pollution Control Authority - The Authority is authorized to invest in (a) any debt securities that are direct or general obligations of the U. S.; (b) any debt security unconditionally guaranteed (principal and interest) by the U. S.; and (c) repurchase agreements collateralized by securities of the type described in (a) and (b) above with any commercial bank, of such broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank, if such broker/dealer or bank has an uninsured, unsecured, and unguaranteed obligation rated "Prime-1" or "A3" or better by Moody's Investor Service, Inc., and "A-1" or "A-" or better by Standard & Poor's Corporation.

Alabama Housing Finance Authority - The Authority is authorized to invest in bonds or other obligations issued or guaranteed by the U.S. Government, or any agency thereof, or the State of Alabama. In addition, the Authority may invest in interest-bearing bank and savings and loan association deposits, any obligations in which a State-chartered savings and loan association may invest its funds, any agreement to repurchase any of the foregoing, or any combination thereof. Each of the trust indentures established

For the Fiscal Year Ended September 30, 2010

under the Authority's mortgage revenue bond programs contain further restrictions on the investment of non-expended bond proceeds; however, each trust indenture must be consistent with the Authority's authorizing legislation with respect to the definition of eligible investments. The Authority's program investments consist of Government National Mortgage Association (GNMA) or Federal National Mortgage Association (FNMA) pass-through certificates, all of which are pledged as security for the mortgage revenue bonds.

Other investments include temporary and debt service reserve funds established under the provisions of various trust indentures, and investments of the Authority's general and housing assistance funds.

Higher Education Loan Corporation - The bond trust indentures authorize the Corporation to invest bond proceeds only in certain types of investments including, but not limited to: (1) direct obligations of, or obligations unconditionally guaranteed by, the U.S. Government; (2) bank demand deposits and certificates of deposit insured by the Federal Deposit Insurance Corporation or fully secured by obligations with the same characteristics as those described in items (1) above or (3) below; (3) obligations of or guaranteed by any agency or instrumentality of the U. S. Government; (4) obligations with the same characteristics as those described in items (1) and (3) above held by the Trustee under written agreement whereby a bank or trust company agrees to repurchase the obligations, providing that the market value of such obligations, as determined monthly, is always at least equal to the repurchase prices specified in the agreement; (5) money market funds consisting solely of securities similar to those described in items (1), (3), and (4) above; (6) guaranteed investment contracts; and (7) any other investments or obligations consented to by the bond insurance provider.

Investments Made by Colleges and Universities - The colleges and universities invest funds in accordance with the applicable limits set forth in the gift instruments, Board of Trustees guidelines, or other applicable laws. Certain bond indentures require that the bond funds invest all amounts in federal securities or eligible certificates. In accordance with GASB Statement No. 31, most investments are stated at fair value.

The State's investments at September 30, 2010, are as follows:

Investment Types and Fair Value
(Amounts in Thousands)

Investment Types	Governmental Activities	Business-Type Activities	Fiduciary Funds (including Fiduciary Component Units)	Discretely Presented Component Units
U S Treasury Strips	\$ 16,323	\$ -	\$ 321	\$ 17,343
Other U S Government Guaranteed Securities	596,023	5,889	1,593,360	523,050
U S Agency Securities	424,533	6,441	794,161	614,355
State and Local Government Securities	8,946	679	11,770	3,915
Mortgage Backed Securities	787,788	1,016	681,137	709,254
Commercial Paper	27,385	-	890,971	241,823
Corporate Bonds	630,988	264	2,580,935	339,573
Private Placements	269	-	2,447,525	42,475
Repurchase Agreements	80,298	-	3,669	94,913
International Bonds	160	-	2,190	99,482
Bond Mutual Funds	2,076	6,440	515,897	973,151
Domestic Equities	640,744	1,721	11,731,031	429,178
International Equities	198,114	148	3,766,307	6,443
Other Mutual Funds	135,349	1,067	496,219	1,345,385
Real Estate	15,214	214	2,820,141	404,488
Commingled Funds	23,751	-	7,567	209,049
Guaranteed Investment Contracts	-	-	-	34,656
	<u>\$ 3,587,961</u>	<u>\$ 23,879</u>	<u>\$ 28,343,201</u>	<u>\$ 6,088,533</u>

Reconciliation to the Government-wide Statement of Net Assets and Statement of Fiduciary Net Assets

Investments Per Investment Note	\$ 3,587,961	\$ 23,879	\$ 28,343,201	\$ 6,088,533
Certificates of Deposit †	17,821	86,443	2,526	37,938
Other Cash Equivalents †	(291,160)	82,577	11,163	(381,880)
Repurchase Agreements ††	(80,298)	-	(3,669)	(85,867)
Investments Classified as Restricted Assets	5	-	-	-
Foundations and pooled investments §	-	-	-	(55,146)
Investments per Statements	<u>\$ 3,234,329</u>	<u>\$ 192,899</u>	<u>\$ 28,353,221</u>	<u>\$ 5,603,578</u>

† Investment types not required to be presented in the investment credit note.

†† Short-term repurchase agreements are included as cash equivalents; however these investments are subject to investment risk disclosures.

§ University foundations follow the investment reporting requirements of the FASB and are not subject to GASB disclosure requirements. For this reason some of the investment information is not available. Also, investments of affiliated entities are included in an investment pool. The investment information that is available is being disclosed.

STATE OF ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

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C. Investment Risks

1. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Nationally recognized statistical rating organizations provide ratings of debt securities quality based on a variety of factors, such as the financial condition of the issuers, which provide investors with some idea of the issuer's ability to meet its obligations. The ratings of the State's investments as of September 30, 2010 are presented below.

Ratings of Fixed Maturities (Amounts in Thousands)

Moody's	Standard & Poor's	Governmental Activities	Business-Type Activities	RSA Fiduciary Component Units	Other Fiduciary Funds	Component Units
Aaa		\$ 695,008	\$ 10,340	\$ 934,426	\$ 552,788	\$ 1,780,124
	AAA	31,320	402	-	1,435	64,580
Aa1		20,776	27	44,459	29,057	11,995
	AA+	444	-	-	-	-
Aa2		44,982	34	158,493	51,269	2,149
	AA	2,895	-	-	-	150,617
Aa3		26,403	124	28,142	13,177	730
	AA-	7,645	-	-	-	-
Aa		-	-	-	627	20,302
A1		63,945	72	244,867	86,673	36,526
	A+	7,778	-	-	65	-
A2		81,920	5,093	318,265	95,194	3,791
	A	22,323	-	-	-	117,638
A3		53,415	40	241,290	72,759	3,288
	A-	3,415	-	-	106	-
A		-	-	8,475	4,086	27
P1		6,834	-	222,224	98,981	60,730
P2		21,995	-	580,415	310,016	153,993
Baa1		57,803	36	427,247	107,192	4,937
	BBB+	6,809	-	34,103	5,462	-
Baa2		98,070	58	267,402	75,636	3,604
	BBB	8,469	-	-	-	59,795
Baa3		47,960	9	126,145	39,533	2,415
	BBB-	29,584	-	-	-	-
Baa		-	16	-	-	26
Ba1		15,231	-	81,679	28,470	664
	BB+	752	-	-	-	-
Ba2		9,027	-	55,734	6,522	383
	BB	2,980	-	-	-	11,901
Ba3		8,868	-	63,435	16,682	659
	BB-	25	-	-	45	-
B1		5,345	-	29,853	10,178	299
	B+	17	-	-	-	-
B2		2,663	-	419	929	-
	B	638	-	-	-	665
B3		2,469	-	-	2,132	246
	B-	132	-	-	13	-
Caa1		1,817	-	-	1,345	-
	CCC+	297	-	-	-	-
Caa2		5,121	-	993	6,438	-
	CCC	4,240	-	-	350	-
Caa3		9,523	-	-	2,017	-
Ca		6,079	-	-	493	-
C		74	-	-	247	247
U S Govt Guaranteed Securities		552,465	3,365	1,110,079	411,261	443,097
Withdrawn Rating		-	-	-	137	221
Not Rated †		607,909	1,113	2,285,374	227,102	826,043
		<u>\$ 2,575,465</u>	<u>\$ 20,729</u>	<u>\$ 7,263,519</u>	<u>\$ 2,258,417</u>	<u>\$ 3,761,692</u>

† Consists primarily of private placements and bond mutual funds that are not rated.

The investment policy for the State Treasurer was mentioned earlier. The investments allowed are U.S. government or agency securities, repurchase agreements backed by U.S. government or U.S. government agency securities, or mutual funds investing in U.S. government or U.S. government agency securities. The U.S. government and U.S. government agency securities are rated Aaa or AAA. Bond mutual funds may or may not be rated.

As mentioned earlier the investments of the Alabama Trust Fund are limited to those authorized for the Retirement Systems of Alabama. Domestic fixed-maturity investments may consist of rated or non-rated securities. International fixed-maturity investments may consist of securities with a rating of at least A by one of the principal rating agencies at the time of purchase or acquisition, except that up to 2% of the fair value of each System's total portfolio may be invested in obligations of sovereign countries with a rating of BBB or BAA at the time of purchase. The Systems may hedge against the possible adverse effects of currency fluctuations on each System's portfolio of international fixed income obligations when it is considered appropriate. Short-term investments may consist of commercial paper rated at least A-2 and/or P-2, repurchase agreements, short-term U.S. securities, and other money market investments.

2. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of those investments. The Treasurer's Office policy states that the maximum effective maturity of any purchase will be five years. Market accepted average life at time of purchase shall be used in lieu of final maturity for the purpose of maturity acceptability of mortgage-backed securities. Average effective duration should be plus or minus 30% of the index duration. The portfolio is benchmarked against the Barclays Capital 1 - 3 Year Government Index.

The fair value of fixed-maturity investments fluctuate in response to changes in market interest rates. Increases in prevailing interest rates generally translate into decreases in fair value of those instruments. The fair value of interest sensitive instruments may also be affected by the creditworthiness of the issuer, prepayment options, relative values of alternative investments, and other general market conditions. Certain fixed maturity investments have call provisions that could result in shorter maturity periods. However, the Retirement System of Alabama's intent is to hold all fixed maturity investments until maturity, and as such, the System's fixed maturity investments are classified in the table as if they will be held to maturity.

The investment policy of the Alabama Trust Fund states that the portfolio's average duration is not to exceed 1.5 times that of the benchmark index.

As of September 30, 2010 the State had the following investments and maturities:

Governmental Activities (Amounts in Thousands)					
Investment Type	Maturity in Years at Fair Value				Total Fair Value
	Less Than 1	1-5	6-10	More Than 10	
U S Treasury Strips	\$ -	\$ 15,242	\$ 1,081	\$ -	\$ 16,323
Other U S Government Guaranteed Securities	34,993	405,713	84,432	70,885	596,023
U S Agency Securities	30,784	180,148	100,213	113,388	424,533
State and Local Government Securities	-	512	676	7,758	8,946
Mortgage Backed Securities	7,977	61,899	75,670	642,242	787,788
Commercial Paper	27,385	-	-	-	27,385
Corporate Bonds	37,619	219,612	247,191	126,566	630,988
Private Placements	-	-	269	-	269
Repurchase Agreements	80,298	-	-	-	80,298
International Bonds	-	-	160	-	160
Bond Mutual Funds	1,444	632	-	-	2,076
Total	\$ 220,500	\$ 883,758	\$ 509,692	\$ 960,839	\$ 2,574,789

STATE OF ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2010

Business-Type Activities (Amounts in Thousands)

Investment Type	Maturity in Years at Fair Value				Total Fair Value
	Less Than 1	1-5	6-10	More Than 10	
U S Government Guaranteed Securities	\$ 1,952	3,027	\$ 33	\$ 877	\$ 5,889
U S Agency Securities	1,555	2,283	2,468	135	6,441
State and Local Government Securities	392	287	-	-	679
Mortgage Backed Securities	115	785	30	86	1,016
Corporate Bonds	7	105	126	26	264
Bond Mutual Funds	6,112	196	90	42	6,440
Total	\$ 10,133	\$ 6,683	\$ 2,747	\$ 1,166	\$ 20,729

Retirement Systems of Alabama (Fiduciary Component Units) (Amounts in Thousands)

Investment Type	Maturity in Years at Fair Value				Total Fair Value
	Less Than 1	1-5	6-10	More Than 10	
U S Government Guaranteed Securities	\$ 564	\$ 539,868	\$ 440,290	\$ 56,235	\$ 1,036,957
U S Agency Securities	53,112	218,627	231,235	71,303	574,277
Mortgage Backed Securities	198	4,618	23,071	438,740	466,627
Commercial Paper	580,415	-	-	-	580,415
Corporate Bonds	141,600	646,104	836,390	360,746	1,984,840
Private Placements	137,870	234,455	145,356	1,880,498	2,398,179
Bond Mutual Funds	222,224	-	-	-	222,224
Total	\$ 1,135,983	\$ 1,643,672	\$ 1,676,342	\$ 2,807,522	\$ 7,263,519

Other Fiduciary Funds
(Amounts in Thousands)

Investment Type	Maturity in Years at Fair Value				Total Fair Value
	Less Than 1	1-5	6-10	More Than 10	
U S Treasury Strips	\$ 243	\$ 78	\$ -	\$ -	\$ 321
U S Government Guaranteed Securities	13,986	296,824	217,649	27,944	556,403
U S Agency Securities	31,240	72,174	92,633	23,837	219,884
State and Local Government Securities	1,400	1,935	2,225	3,032	8,592
Mortgage Backed Securities	820	10,451	14,233	192,184	217,688
Commercial Paper	310,556	-	-	-	310,556
Corporate Bonds	35,424	216,292	252,048	92,331	596,095
Private Placements	2,421	17,856	10,078	18,991	49,346
Repurchase Agreements	3,669	-	-	-	3,669
International Bonds	-	1,942	30	218	2,190
Bond Mutual Funds	103,591	28,213	161,869	-	293,673
Total	\$ 503,350	\$ 645,765	\$ 750,765	\$ 358,537	\$ 2,258,417

Discretely Presented Component Units (excluding University of Alabama)
(Amounts in Thousands)

Investment Type	Maturity in Years at Fair Value				Total Fair Value
	Less Than 1	1-5	6-10	More Than 10	
U S Treasury Strips	\$ 8,866	\$ 2,041	\$ 6,436	\$ -	\$ 17,343
Other U S Government Guaranteed Securities	87,544	92,614	94,990	1,987	277,135
U S Agency Securities	98,270	281,922	167,871	66,292	614,355
State and Local Government Securities	-	1,044	-	777	1,821
Mortgage Backed Securities	2,728	10,011	28,693	612,175	653,607
Commercial Paper	214,723	-	-	-	214,723
Corporate Bonds	4,155	13,589	9,228	3,117	30,089
Private Placements	303	-	990	-	1,293
Repurchase Agreements	86,455	-	8,458	-	94,913
Guaranteed Investment Contracts	34,656	-	-	-	34,656
Bond Mutual Funds	155,583	23,712	20,979	276,896	477,170
Total	\$ 693,283	\$ 424,933	\$ 337,645	\$ 961,244	\$ 2,417,105

STATE OF ALABAMA**NOTES TO THE FINANCIAL STATEMENTS**

For the Fiscal Year Ended September 30, 2010

The University of Alabama discloses the interest rate risk for the System Pool using the effective duration method. The prices of fixed income securities with a longer time to maturity, measured by effective duration, tend to be more sensitive to changes in interest rates and, therefore, more volatile than those with shorter durations. Effective duration is the approximate change in price of a security resulting from a 100 basis point (1 percentage point) change in the level of interest rates. It is not a measure of time. The University does not have a specific policy relative to interest rate risk.

University of Alabama System Pool
(Amounts in Thousands)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Effective Duration</u>
Endowment Fund:		
U S Government Guaranteed Securities	\$ 33,787	3.4
Mortgage Backed Securities	911	2.3
Collateralized Mortgage Obligations	1,526	2.2
Corporate Bonds	31,889	6.4
Commingled Bond Funds	125,899	5.8
Prime Fund:		
U S Government Guaranteed Securities	19,534	3.3
Mortgage Backed Securities	566	2.2
Collateralized Mortgage Obligations	1,901	1.6
Corporate Bonds	21,568	6.0
Commingled Bond Funds	132,011	5.2
Intermediate Fund:		
U S Government Guaranteed Securities	192,237	3.0
Mortgage Backed Securities	19,764	2.9
Collateralized Mortgage Obligations	30,979	1.6
Corporate Bonds	265,878	2.0
Bond Mutual Funds	108,160	2.4
Total	<u>\$ 986,610</u>	

3. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The investment policy of the Alabama Trust Fund states that the exposure to emerging market securities shall be limited to 20% of the market value of the international portfolio. Not more than 5% of the total stock portfolio may be invested in the common stock of any one corporation at the time of purchase and no more than 7% in any one corporation at market. Not more than 5% of the outstanding shares of any one company may be held by the portfolio.

In order for an international security to be eligible for purchase by the Retirement Systems of Alabama (RSA), the issuing company must be incorporated in a country whose debt securities are eligible for purchase as discussed earlier, and the fair value of the aggregate outstanding equity of the issuing company must be at least \$100 million.

The State's exposure to foreign currency risk at September 30, 2010 was as follows:

Deposits and Investments Exposed to Foreign Currency Risk
(Amounts in Thousands)

	Governmental-Type Activities			Business-Type Activities	RSA (Fiduciary Component Units)	Other Fiduciary Funds	
	Cash	International Equities	International Bond	International Equities	International Equities	International Equities	International Bonds
Australian Dollar	\$ 39	\$ 6,322	\$ -	\$ -	\$ 281,159	\$ 10,118	\$ -
Bermudian Dollar	-	2,457	-	-	-	-	-
Brazilian Real	-	3,702	-	-	-	-	-
British Pound Sterling	150	52,287	160	21	679,082	26,936	-
Canadian Dollar	16	8,161	-	-	-	2,058	-
Cayman Dollar	-	564	-	-	-	-	-
Chinese Yuan	-	4,991	-	-	-	629	-
Danish Krone	10	5,484	-	-	32,879	1,744	-
Emerging Markets	-	155	-	-	294,098	-	-
Euro	83	55,955	-	-	1,055,062	39,580	-
Hong Kong Dollar	9	7,427	-	-	92,408	2,863	-
Hungarian Forint	9	-	-	-	-	-	-
Indonesian Rupiah	-	199	-	-	-	-	-
Israeli New Shekel	148	594	-	9	24,396	1,120	-
Japanese Yen	12	31,614	-	18	709,672	26,722	-
Mexican Peso	-	940	-	-	-	-	-
Neth Antilles Guilder	-	18	-	-	-	-	-
New Turkish Lira	8	1,260	-	-	-	-	-
New Zealand Dollar	-	129	-	-	2,449	75	-
Norwegian Krone	16	570	-	-	28,535	1,727	-
Russian Rouble	-	-	-	-	-	-	2,190
Singapore Dollar	19	1,849	-	-	53,985	2,256	-
South African Rand	149	1,026	-	-	-	-	-
South Korean Won	-	2,101	-	-	-	-	-
Swedish Krona	32	3,873	-	-	106,248	4,516	-
Swiss Franc	191	6,430	-	-	263,227	10,606	-
Taiwan New Dollar	-	6	-	-	-	-	-
Thai Baht	4	-	-	-	-	-	-
Currency Index Funds	-	-	-	100	-	12,157	-
Totals	\$ 895	\$ 198,114	\$ 160	\$ 148	\$ 3,623,200	\$ 143,107	\$ 2,190

4. Custodial Credit Risk

For an investment, custodial credit risk is the risk that an entity will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party if the counterparty fails.

State Treasurer – The State Treasurer's policy with respect to repurchase agreements requires that the underlying securities be held in the counterparty's safekeeping department, in the name of the State.

Alabama Trust Fund (ATF) – The ATF's custodian, Bank of New York Mellon (BNYM), administers a portion of the program for the ATF. The ATF's custodial credit risk policy authorizes BNYM to hold securities in registered form in the name of its nominee. The policy requires BNYM to establish and maintain one or more securities accounts (book entry system) in which BNYM will hold the securities. These accounts are in the name of the ATF.

STATE OF ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2010

Retirement Systems of Alabama (RSA) – The RSA’s custodial credit risk policy requires the custodial agent to hold or direct its agents or subcustodians to hold, for the account of the RSA all securities and other non-cash property other than securities in the Federal Reserve book-entry system, in a clearing agency which acts as a securities depository, or in another book-entry system. The RSA’s safekeeping agent holds all investments of the RSA in the RSA’s name with the exception of securities purchased with securities lending collateral.

Investments Exposed to Custodial Credit Risk (Amounts in Thousands)

	Governmental- Type Activities	Fiduciary Funds Other Than RSA	Discretely Presented Component Units
U S Treasury Strips	\$ -	\$ 321	\$ -
Other U S Government Guaranteed Securities	1,153	25,486	203
U S Agency Securities	50,212	480	-
State and Local Government Securities	-	8,390	-
Mortgage Backed Securities	6,862	6,120	-
Corporate Bonds	1,773	-	1,835
Bond Mutual Funds	-	-	25,461
Repurchase Agreements	80,298	3,669	85,867
Other Mutual Funds	-	-	1,768
	<u>\$ 140,298</u>	<u>\$ 44,466</u>	<u>\$ 115,134</u>

5. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of a government’s investments with a single issuer. The investment policy of the Alabama Trust Fund states that the investment portfolio shall be diversified by both asset class and within asset classes, by economic sector and industry. For equity investments, the aggregate investment in equity securities of any one issuing corporation shall not exceed 1% of the outstanding capital of such corporation. For fixed income investments, the portfolio is to be diversified so that no more than 15% is invested in one industry, and no more than 5% of the total fixed income portfolio may be invested in securities of any one corporation. As of September 30, 2010, there were no investments that exceeded the 5% of the total fixed income portfolio limit in any one corporation.

The investment policies of the Retirement Systems of Alabama limit the aggregate amount that can be invested in each class of investments. Domestic fixed income, international fixed income, domestic equity, international equity, alternative investments, and short-term investments are limited to 50%, 10%, 65%, 25%, 10%, and 20%, respectively, of each System’s aggregate portfolio. Also, each System may not purchase or hold more than 5% of any class of the outstanding stock of a foreign company. The range for real estate may not exceed 15% of the book value of each System’s portfolio. As of September 30, 2010, the Teachers’ Retirement System (TRS) and Employees’ Retirement System (ERS) owned debt and equity securities of Raycom Media Corporation which represented approximately 6.15% and 6.86%, respectively, of the TRS and the ERS investments and Goldman Sachs which represented approximately 6.63% of the TRS investments and 6.06% of the ERS investments.

D. Securities Lending

The Teachers’ Retirement System (TRS), the Employees’ Retirement System (ERS), and the Judicial Retirement Fund (JRF) are authorized by the Boards of Control to participate in a securities lending program. The Alabama Trust Fund (ATF) investment managers are authorized by the Board of Trustees to engage in securities lending under guidelines established by the ATF Investment Committee. The Retirement Systems of Alabama’s (RSA) custodian, State Street Bank and Trust Company (State Street), administers the program for the TRS, ERS, JRF, a portion of the program for the ATF, and some other funds of the State. Certain securities are loaned to borrowers approved by the RSA. Approved borrowers of securities provide acceptable collateral in the form of cash (U.S. and foreign currency), any other assets permissible under Rule 15c3-3 under the Exchange Act of 1934, U.S. and non U.S. equities and such other collateral as the parties may agree to in writing from time to time. All security loans are open loans and can be terminated on demand by the TRS, ERS, JRF, or borrower. The initial collateral received shall have (depending on the nature of the loaned securities and the collateral received), a value of 102% or 105% of the fair value of the

loaned securities, or such other value, but not less than 102% of the fair value of the loaned securities, as may be applicable in the jurisdiction in which such loaned securities are customarily traded. Pursuant to the terms of the applicable securities loan agreement, State Street shall, in accordance with State Street's reasonable and customary practices, mark loaned securities and collateral to their fair value each business day based upon the fair value of the collateral and the loaned securities at the close of the business employing the most recently available pricing information and shall receive and deliver collateral in order to maintain the value of the collateral at no less than 100% of the fair value of the loaned securities. The lender cannot pledge or sell collateral securities received unless the borrower defaults.

Cash collateral for TRS, ERS, and JRF is invested in the State Street Quality D Short-term Investments Fund (QDF). As of September 30, 2010, the average term of the loans secured by QDF was 8, 8, and 9 days, respectively for the TRS, ERS, and JRF. Cash collateral investments in the QDF are matured as needed to fulfill loan obligations. There is no direct matching of the maturities of the loans with the investments made with cash collateral. The following describes the QDF's guidelines. The QDF's average effective duration is restricted to 90 days or less. The maximum option-adjusted duration of any variable rate security investment of the QDF shall be 2.5 years or less. All fixed rate instruments must have an option-adjusted duration not to exceed 18 months. At the time of purchase, all securities with maturities of 13 months or less must qualify as first tier securities and all securities with maturities in excess of 13 months will be rated A or better by at least two nationally recognized statistical rating organizations (NRSROs), or, if not rated, be of comparable quality. The QDF may invest in other State Street managed investment vehicles provided they conform to QDF guidelines.

Cash collateral administered by State Street for ATF is invested in the State Street Global Securities Lending Trust (SSGSLT). As of September 30, 2010, the average term of the loans secured by SSGSLT was 10 days. Cash collateral investments in the SSGSLT are matured as needed to fulfill loan obligations. There is no direct matching of the maturities of the loans with the investments made with cash collateral. The following describes the SSGSLT's investment policy guidelines. The investment manager shall maintain the dollar-weighted average maturity of SSGSLT in a manner that the investment manager believes is appropriate to the objective of maintaining a stable net asset value per share; provided that (i) in no event shall any security be acquired with a remaining maturity of greater than 397 calendar days and (ii) the dollar-weighted average maturity of SSGSLT shall in no event exceed 90 days. SSGSLT will endeavor to maintain sufficient liquidity to support collateral return obligations under securities loan transactions.

The Bank of New York Mellon (BNYM) administers a portion of the securities lending program for the ATF. Certain securities from ATF are loaned to borrowers approved by the ATF Board of Trustees. Approved borrowers of securities provide acceptable cash collateral in the form of Federal funds or New York Clearing House funds as applicable for a particular loan. All security loans are open loans and can be terminated on demand by the ATF, BNYM, or the borrower. The initial collateral received shall have (i) in the case of loaned securities denominated in United States Dollars, cash collateral in the amount of 102% of the fair value of the loaned securities or (ii) in the case of loaned securities which are not denominated in United States Dollars, cash collateral in the amount of 105% of the fair value of the loaned securities. Pursuant to the terms of the applicable securities loan agreement, BNYM shall, in accordance with BNYM's reasonable and customary practices, mark loaned securities to their fair value each business day based upon the fair value of the loaned securities as of the close of the preceding business day, employing the most recently available pricing information, and receive and deliver collateral in order to maintain the value of cash collateral at no less than the collateral requirement. The ATF cannot pledge or sell collateral securities received unless the borrower defaults. As of September 30, 2010, the average term of the loans was 52 days. Cash collateral investments are matured as needed to fulfill loan obligations. All approved investments shall be for the account and risk of ATF. To the extent any loss arising out of approved investments results in a deficiency in the amount of collateral available for return to a borrower, ATF agrees to pay BNYM on demand cash in an amount equal to such deficiency.

For the Fiscal Year Ended September 30, 2010

The following describes the manner in which BNYM is authorized to invest and reinvest cash collateral for the ATF.

- Securities issued or fully guaranteed by the United States Government and any agency, instrumentality, or establishment of the United States Government (“Government Securities”).
- High-grade commercial paper, notes, bonds, and other debt obligations including promissory notes, funding agreements, and guaranteed investment contracts whether or not registered under the Securities Act of 1933, as amended. Such obligations may have fixed, floating, or variable rate interest payment provisions.
- Asset-backed securities which carry the highest credit rating by Standard and Poor’s or Moody’s.
- Certificates of deposit, time deposits and other bank obligations of U.S. banks, their branches and subsidiaries.
- Repurchase and reverse repurchase agreements collateralized by approved investments.
- Securities, units, shares and other participations in money market funds, unregistered short-term investment funds, pools or trusts.
- Government securities have no maturity limit. Fixed rate instruments shall have a maturity of no greater than 13 months. Floating rate instruments rated “A” or “AA” shall have maturities no greater than three years with resets no less frequent than three months. Floating rate instruments rated “AAA” shall have maturities no greater than five years with resets no less frequent than three months.

The Prepaid Affordable College Tuition Program’s (PACT) investment policy approved by the Board of Trustees permits the PACT Program to enter into securities lending transactions defined as loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. There are no restrictions on the amount of loans that can be made for the PACT Program. The PACT Program’s custodian, BNYM, administers the program and acts as an agent for the PACT Program. Certain securities of the ATF and the PACT Program are loaned to borrowers approved by the ATF Board of Trustees and the PACT Program. Approved borrowers of securities provide acceptable cash collateral in the form of federal funds or New York Clearing House funds as applicable for a particular loan. The BNYM has provided loss indemnification to the PACT Program in the event that the borrower does not return the market value of the securities loaned. The PACT program exited this program in June 2010.

Securities Lending - Investments Lent and Collateral Received
(Fair Value in Thousands)

Type of Investment Lent	Governmental- Type Activities	Business- Type Activities	RSA Fiduciary Component Units	Other Fiduciary Funds	Discretely Presented Component Units
For Cash Collateral					
Domestic Fixed Maturities	207,137	1,204	1,296,080	287,239	23,327
Domestic Equity	44,686	-	1,265,709	74,609	-
International Equity	4,872	-	199,331	8,749	-
Total Lent for Cash Collateral	\$ 256,695	\$ 1,204	\$ 2,761,120	\$ 370,597	\$ 23,327
For Non-cash Collateral					
Domestic Fixed Maturities	120,564	951	590,055	172,465	17,813
Domestic Equity	8,965	-	231,007	12,068	-
International Equity	-	-	423,902	15,506	-
Total Lent for Non-Cash Collateral	\$ 129,529	\$ 951	\$ 1,244,964	\$ 200,039	\$ 17,813
Total Securities Lent	\$ 386,224	\$ 2,155	\$ 4,006,084	\$ 570,636	\$ 41,140
Type of Collateral Received					
Cash Collateral					
Cash Collateral - Invested in					
State Street Quality D Fund	-	-	2,827,602	258,573	-
State Street Global Securities Lending Trust	178,679	1,228	-	120,253	23,795
BNYM Investments	85,086	-	-	-	-
Total Cash Collateral	\$ 263,765	\$ 1,228	\$ 2,827,602	\$ 378,826	\$ 23,795
Non-Cash Collateral					
For Lent Domestic Fixed Maturities					
Securities Collateral - US Dollars	123,276	972	607,930	177,084	21,265
For Lent Domestic Equity Securities					
Securities Collateral - US Dollars	-	-	240,006	12,496	-
For Lent International Equity Securities					
Securities Collateral					
US Dollar	9,413	-	449,101	16,368	-
Total Non-Cash Collateral	\$ 132,689	\$ 972	\$ 1,297,037	\$ 205,948	\$ 21,265
Total Collateral Received	\$ 396,454	\$ 2,200	\$ 4,124,639	\$ 584,774	\$ 45,060

E. Mortgage-Backed Securities

The State of Alabama invests in mortgage-backed securities to improve yield and adjust the duration of the State's fixed income portfolio. Embedded prepayment options cause these investments to be highly sensitive to changes in interest rates. Prepayments of the underlying assets reduce the total interest payments to be received. Generally, when interest rates fall, obligors tend to prepay the mortgages thus eliminating the stream of interest payments that would have been received under the original amortization schedule. The resulting reduction in cash flow diminishes the fair value of the mortgage-backed securities.

The Alabama Trust Fund (ATF) invests in TBA (to be announced) purchase commitments, pursuant to which it agrees to purchase mortgage-backed securities. The TBA market developed in response to the demands of market participants for more liquidity in trading mortgage-backed securities. The TBA market is essentially a forward or delayed delivery market. The lender, or other market participant, will enter into a forward contract to sell mortgage-backed securities in the TBA market, promising to deliver mortgage-backed securities on the settlement date sometime in the future. At September 30, 2010, the ATF had investments in TBA mortgage-backed securities in the amounts of \$58,530,000. Included in investment purchases payable on the Statement of

STATE OF ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2010

Net Assets is a liability related to the cost of acquiring these securities. Generally, these securities are closed with a gain or loss prior to settlement. However, the ATF would be obligated for those amounts should the securities be delivered.

F. Capital Assets

Historical costs for infrastructure assets are included in this report. The State elected to include the historical costs of all infrastructure assets, not just assets capitalized since 1980, as required by GASB Statement No. 34. The State capitalizes infrastructure when all costs for a project are incurred and all project documentation is completed and filed with the appropriate entities. Due to the documentation requirements, there can be substantial time lags between the date a project is put into service and the date the project is capitalized. A significant portion of Infrastructure Construction in Progress consists of projects that have been put into service and maintenance costs could have been incurred but the project documentation is not complete. As of September 30, 2010, the capital assets for the Primary Government and the Component Units are presented in the following tables:

GOVERNMENTAL-TYPE ACTIVITIES (Amounts in Thousands)

	Beginning Balance as Restated	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 242,590	\$ 39,256	\$ 135	\$ 281,711
Historical Exhibits	2,658	-	-	2,658
Construction in progress	122,347	83,007	60,316	145,038
Construction in progress - Infrastructure	4,916,622	313,915	186,589	5,043,948
Infrastructure	12,354,313	186,589	-	12,540,902
Total capital assets not being depreciated	17,638,530	622,767	247,040	18,014,257
Capital assets being depreciated:				
Buildings	1,257,465	11,604	1,753	1,267,316
Equipment	605,332	61,389	38,862	627,859
Software and Other Intangible Assets	2,658	5,815	1,127	7,346
Total capital assets being depreciated	1,865,455	78,808	41,742	1,902,521
Less accumulated depreciation:				
Buildings	550,105	29,885	1,092	578,898
Equipment	353,708	50,315	26,989	377,034
Software and Other Intangible Assets	1,881	1,133	1,127	1,887
Total accumulated depreciation	905,694	81,333	29,208	957,819
Total capital assets being depreciated, net	959,761	(2,525)	12,534	944,702
Governmental-type activities capital assets, net	\$ 18,598,291	\$ 620,242	\$ 259,574	\$ 18,958,959

Depreciation Expense for the current year is charged as follows:

Economic Development and Regulation	2,647
Social Services	5,708
Education and Cultural Resources	3,294
Natural Resources and Recreation	7,066
Health	8,501
General Government	8,467
Protection of Persons & Property	21,849
Transportation	23,801
Total Depreciation Expense	\$ 81,333

BUSINESS-TYPE ACTIVITIES:
(Amounts in Thousands)

	Beginning Balance as Restated	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 82,621	\$ 2,665	\$ 2,596	\$ 82,690
Historical Exhibits	2,350	-	-	2,350
Construction in progress	224,977	39,482	150,202	114,257
Inexhaustible Intangible Assets	10	-	-	10
Total capital assets not being depreciated	309,958	42,147	152,798	199,307
Capital assets being depreciated:				
Buildings	1,397,718	161,643	4,618	1,554,743
Equipment	485,879	48,947	1,380	533,446
Software and Other Intangible Assets	3,248	-	-	3,248
Total capital assets being depreciated	1,886,845	210,590	5,998	2,091,437
Less accumulated depreciation				
Buildings	470,710	42,167	3,831	509,046
Equipment	253,699	22,693	1,174	275,218
Software and Other Intangible Assets	2,383	81	-	2,464
Total accumulated depreciation	726,792	64,941	5,005	786,728
Total capital assets being depreciated, net	1,160,053	145,649	993	1,304,709
Business-type activities capital assets, net	\$ 1,470,011	\$ 187,796	\$ 153,791	\$ 1,504,016

Depreciation Expense for the current year is charged as follows:

State Port Authority	27,441
Alabama College System	33,950
Alcoholic Beverage Control Board	3,287
Other Nonmajor Enterprise Funds	263
Total Depreciation Expense	\$ 64,941

STATE OF ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2010

COMPONENT UNITS
(Amounts in Thousands)

	Beginning Balance as Restated	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 198,345	\$ 9,994	\$ 1,609	\$ 206,730
Historical Exhibits	92,844	10,842	104	103,582
Construction in progress	516,094	444,971	512,617	448,448
Total capital assets not being depreciated	807,283	465,807	514,330	758,760
Capital assets being depreciated:				
Buildings	5,943,900	596,139	73,601	6,466,438
Equipment	1,853,441	115,905	43,479	1,925,867
Software and Other Intangibles	21,986	1,306	-	23,292
Total capital assets being depreciated	7,819,327	713,350	117,080	8,415,597
Less accumulated depreciation				
Buildings	2,183,209	166,124	45,215	2,304,118
Equipment	1,310,385	130,557	34,853	1,406,089
Software and Other Intangible Assets	6,363	2,330	-	8,693
Total accumulated depreciation	3,499,957	299,011	80,068	3,718,900
Total capital assets being depreciated, net	4,319,370	414,339	37,012	4,696,697
Component Units capital assets, net	\$ 5,126,653	\$ 880,146	\$ 551,342	\$ 5,455,457
Depreciation Expense for the current year is charged as follows:				
Alabama Public School and College Authority	369			
Mental Health	1,374			
Water Pollution Control Authority	21			
University of Alabama	178,889			
Auburn University	49,472			
University of South Alabama	29,329			
State Employee Insurance Board	181			
Other Nonmajor Component Units	39,376			
Total Depreciation Expense	\$ 299,011			

G. Derivatives

Alabama State Port Authority - In December 2002, the Alabama State Port Authority entered into a swaption contract with an investment company in order to monetize potential debt service savings on the Authority's callable 1996 Series bond. The swaption gave the counterparty the option to enter into a variable-to-fixed interest rate swap at a specified future date. The counterparty exercised its option on July 18, 2006 and the interest rate swap commenced on October 1, 2006, with the Authority paying a fixed interest rate (5.38%) and the Authority receiving a variable interest rate (67% of the one-month LIBOR). The Authority may be exposed to various risks such as credit risk and interest rate risk through the interest rate swap. As the interest rate swap is a liability at September 30, 2010 and 2009, the impact of credit risk is minimized. The swap agreement is based on an original notional amount of \$60,125,000, valued at \$59,950,000 at September 30, 2010, and expires on October 1, 2021. Upon exercising of the option by the counterparty, the Authority issued variable-rate refunding bonds in an amount sufficient to refund the fixed rate Series 1996 revenue bonds. As of September 30, 2010, the interest rate swap had a negative fair value of approximately \$16,069,000 and is recorded in the accompanying financial statements in accordance with GASB Statement No. 53 as an investment derivative instrument. The interest rate swap value is calculated using an industry accepted option pricing model that uses market interest rates and volatility assumptions on the valuation date. The interest rate and volatility data is used to calculate the present value of the potential future cash flows of the swap.

University of South Alabama - In January 2008, the University of South Alabama entered into a synthetic advance refunding of the outstanding Series 2004 and 2006 bonds with a counterparty. This transaction was effected through the sale of two swaptions by the University to the counterparty. The transactions resulted in an up-front payment to the University totaling \$9,328,000, which was recorded as a liability, in exchange for selling the counterparty the option to enter into an interest rate swap with respect to the Series 2004 and 2006 bonds in 2014 and 2016, respectively. The objective of this transaction is to realize debt service savings currently from future debt refunding and create an economic benefit to the University. If the counterparty exercises its options in 2014 and 2016, the University would, at the counterparty's option, be forced into an underlying swap. If the option is exercised, the University would begin to make payments on the notional amount, currently \$41,125,000 and \$100,000,000 for the 2004 bonds and 2006 bonds, respectively, of the underlying swap contract. Simultaneously, the University would call outstanding 2004 and 2006 bonds and issue variable rate demand notes (VRDNs) in their place. Under the swap contract, the University would pay a fixed rate of 4.9753% on the 2004 bonds and 5.0% on the 2006 bonds to the counterparty and would receive payments based on 68% of the one-month LIBOR index. Alternatively, although it is not anticipated that this option would be to the University's advantage, the University could, at its option, cash settle the swap and retain its right to refund the 2004 and 2006 bonds. If the interest rate environment is such that the counterparty chooses to not exercise its option, the swaptions would be canceled and the University would have no further obligation under this agreement. A swaption is considered a hybrid instrument and as such the payment by the counterparty to the University must be bifurcated into two components, a borrowing component and an embedded derivative component, and each component treated separately. The embedded derivative value of the swaptions represents the fair value resulting from the fact that the fixed rate stated in the swaptions is greater than the at-the-market rate. The initial value of the borrowing is the difference between the upfront payment and the fair value of the embedded derivative and represents the time value to the counterparty for holding the option, or the probability weighted, discounted values of a range of future possible outcomes. The values of the derivative and borrowings at the date of execution of this transaction are embedded derivatives \$918,000 for 2004 bonds and \$3,343,000 for 2006 bonds and borrowings of \$1,070,000 for 2004 bonds and \$3,997,000 for 2006 bonds. The values of the borrowings are included in long-term debt on the University's 2010 and 2009 statements of net assets. Interest is being accreted on, and added to, the borrowing through the expiration date of the option. The fair values of the embedded investment derivatives are reported as noncurrent liabilities. The change in the fair market values of the derivatives is reported as a component of investment income in the statements of revenues, expenses and changes in net assets. At September 30, 2010, the fair values of the derivatives are approximately \$(13,327,000) and are included in other long-term liabilities in the accompanying statements of net assets. For the year ended September 30, 2010, the changes in the fair value of the derivatives were \$(3,344,000).

Fair Value. At September 30, 2010, the embedded derivatives had fair values of \$(13,327,000). The fair values of the embedded derivatives were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the instruments, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement.

Interest Rate Risk. Interest rate risk, as a result of rising short-term interest rates causing higher interest rate payments, is effectively hedged by the University's fixed rate bonds. If the counterparty exercises its options, the underlying swaps are expected to effectively hedge the potentially higher payments on VRDNs as well. The University is also subject to interest rate risk, as a result of changes in long term interest rates, which may cause the value of fixed rate bonds or interest rate derivatives to

For the Fiscal Year Ended September 30, 2010

change. If long term interest rates fall subsequent to the execution of this transaction, the value of the swaptions will change, with negative consequences for the University.

Market Access Risk. This transaction assumes that VRDNs will be issued as a replacement of the 2004 and 2006 bonds. If the University is unable to issue variable rate bonds after the counterparty exercises its right under the swaptions, the University would still be required to begin making periodic payments on the swaps, even though there are no related bonds. Alternatively, the University could choose to liquidate the swaps, which may create a substantial cash outlay.

Basis Risk. If the counterparty exercises its option, there is a risk that the floating payments received under the swaps will not fully offset the variable rate payments due on the assumed VRDNs.

Credit Risk. Although the underlying swap exposes the University to credit risk should the swap be executed, the swaption itself does not expose the University to credit risk. If the option is exercised on one or both issues, the University would begin to make payments on the appropriate notional amount of the underlying swap contract. In that situation, if the fair value of the swap is positive, the University would be exposed to credit risk on the swap in the amount of its fair value. As of September 30, 2009, the swap counterparty was rated Aa2 by Moody's Investors Services and AA by Standard and Poors Rating Services.

Termination Risk. The University may be required to terminate the swaptions or swaps under certain circumstances, such as credit downgrades or other events specified in the contracts. In the event that a position needs to be terminated, the University may owe a substantial amount of money to terminate the contracts. At September 30, 2010, no events of termination have occurred.

Alabama Public School and College Authority (Authority) - The Authority and JPMorgan Chase Bank (JPMorgan) entered into a Master Agreement dated March 13, 2002 (the "Swap Option Agreement"), with respect to the Authority's Series 1998 Bonds, Series 1999-A Bonds, Series 1999-C Bonds, and Series 1999-D Bonds (collectively, the "Swap Bonds"). The Swap Option Agreement was subsequently amended on January 16, 2003. Under the terms of the Swap Option Agreement, the Authority received certain lump sum payments in the amount of \$12,587,000 from JPMorgan in return for an option to enter into fixed payer interest rate swaps with respect to each of the Swap Bonds in the notional amounts of \$283,715,000 with respect to the Series 1998 Bonds, \$18,675,000 with respect to the Series 1999-A Bonds, \$254,125,000 with respect to the Series 1999-C Bonds and \$153,700,000 with respect to the Series 1999-D Bonds. Such option is exercisable by JPMorgan upon 150 days prior written notice on November 1 in the years 2008 through 2011 for the Series 1998 Bonds, September 1 in the years 2009 and 2010 for the Series 1999-A Bonds, July 1 in the years 2009 through 2011 for the Series 1999-C Bonds, and on August 1 in the years 2009 through 2011 for the Series 1999-D Bonds. JPMorgan notified the Authority of its intention to exercise its option with respect to the Series 1998 Bonds, effective November 1, 2008, the effect of which under the Swap Option Agreement would have been to require the Authority to issue variable rate bonds for the purpose of refunding the Series 1998 Bonds. The Swap Option Agreement is currently in litigation and no payments have been made and accepted. (See Litigation Note) By letter dated May 14, 2009, JPMorgan notified the Authority that it was seeking \$122,008,804 in termination payments allegedly due under the Swap Option Agreement. As of September 30, 2010, the Swap Option Agreement had a value of approximately \$(32,412,152). The valuations were calculated mathematical approximations of market values derived from proprietary models as of September 30, 2010. The valuations were calculated on a mid-market basis and do not include bid/offer spread that would be reflected in an actual price quotation. The fair value is reported in other noncurrent liabilities on the Statement of Net Assets. The change in the fair market values of the derivative of \$43,147,714 gain is reported on the Statement of Activities as investment earnings.

The Retirement Systems of Alabama (RSA) - The RSA enters into call and put options. The RSA uses these derivative instruments to make an investment, control risk with certain investment positions, or as a yield enhancement strategy. During the fiscal year, these investments were used exclusively within the RSA's domestic and international equity portfolios and are presented in the financial statements in their respective equity classifications. These derivative instruments are either listed options or executed in the over-the-counter (OTC) market using only credit worthy counterparties. The fair value of the investment derivatives are based on market prices. Investment risks related to investment derivatives have been considered and included in the respective investment risks notes above in Note 3.C..

The following table presents the investment derivative instruments outstanding as of September 30, 2010 (in thousands), as reported in the Statement of Plan Net Assets and Statement of Changes in Plan Net Assets:

Investment Derivative Instruments					
	Changes in Fair Value		Fair Value		
	Classification	Amount	Classification	Amount	Notional
TRS					
Domestic Options Written	Investment Income	\$ 160	Domestic Equity	\$ (50)	\$ 9,228
International Options Written	Investment Income	207	International Equity	(228)	85,157
Total Options Written		<u>\$ 367</u>	Totals	<u>\$ (278)</u>	<u>\$ 94,385</u>
ERS					
Domestic Options Written	Investment Income	\$ 86	Domestic Equity	\$ (27)	\$ 4,973
International Options Written	Investment Income	99	International Equity	(109)	40,672
Total Options Written		<u>\$ 185</u>	Totals	<u>\$ (136)</u>	<u>\$ 45,645</u>
JRF					
International Options Written	Investment Income	3	International Equity	(3)	1,271
Total Options Written		<u>\$ 3</u>	Totals	<u>\$ (3)</u>	<u>\$ 1,271</u>

Alabama Trust Fund (ATF) - Derivatives can be used by the ATF's investment managers to manage cash positions, gain broad stock or bond market exposure and to manage risks with certain investment positions. ATF Investment Policy allows derivative instruments to be used provided that the collateral is held in highly liquid securities and that they do not create the effect of leverage in the portfolio.

GASB Statement No. 53 requires that the fair value of the financial arrangements called "derivatives" or "derivative instruments" be reported in the financial statements of state and local governments. The statement further requires that derivatives be categorized as either an investment derivative or a hedge derivative. All of the ATF's derivative exposures as of September 30, 2010, are categorized as investment derivatives and therefore the hedge accounting provisions of GASB Statement No. 53 are not applicable.

All derivative instruments are presented in the financial statements and are reported at fair value. ATF's custodian Bank of New York Mellon (BNYM) uses market prices when available. BNYM used two vendors to value derivatives when market values are not available. The two vendors used by BNYM are *Markit*, and *SuperDerivatives*. Both vendors consider their valuation process to be proprietary and not available for disclosure. Investment risks related to investment derivatives have been considered and included in the respective investment risks notes above in Note 3.C..

STATE OF ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2010

The following table presents the derivatives instruments outstanding as of September 30, 2010 for ATF:

Investment Derivative Instruments				
	Changes in Fair Value		Fair Value as of September 30, 2010	
	Classification	Amount	Amount	Notional
Credit Default Swaps	Investment Income	\$ 2,025	\$ 55,105	\$ (6,714,991)
Interest Rate Swaps	Investment Income	(2,190,524)	(2,186,906)	(23,507,000)
Total Swaps		<u>\$ (2,188,499)</u>	<u>\$ (2,131,801)</u>	<u>\$ (30,221,991)</u>
Futures	Investment Income	78,335	56,427	3,921,562
Total Futures		<u>\$ 78,335</u>	<u>\$ 56,427</u>	<u>\$ 3,921,562</u>
Forwards	Investment Income	(611,748)	(611,748)	(20,848,039)
Total Forwards		<u>\$ (611,748)</u>	<u>\$ (611,748)</u>	<u>\$ (20,848,039)</u>

GASB Statement No. 53 requires the disclosure of the maximum amount of loss due to credit risk, based on the fair value of the instrument at the end of the fiscal year. The maximum amount of loss associated with all derivatives held by the ATF is \$987,533.32. GASB Statement No. 53 also requires additional interest rate risk disclosures for investment derivatives that are highly sensitive to interest rate fluctuations. Presented below are all applicable derivative instruments.

Type	Fair Value	Notional Amount	Maturity Date	Reference Rate
Interest Rate Swap	\$ (214,936)	\$ (3,140,000)	9/16/2019	Pay 3.25% Receive US 3 Month rate
Interest Rate Swap	(227,942)	(3,330,000)	9/17/2019	Pay 3.25% Receive US 3 Month rate
Interest Rate Swap	(211,514)	(3,090,000)	9/18/2019	Pay 3.25% Receive US 3 Month rate
Interest Rate Swap	(229,584)	(2,400,000)	3/17/2020	Pay 3.6% Receive LIBOR 3 Month rate
Interest Rate Swap	(256,831)	(2,142,000)	2/15/2025	Zero Coupon US 3 Month rate
Interest Rate Swap	(99,646)	(830,000)	2/15/2025	Zero Coupon LIBOR 3 Month rate
Interest Rate Swap	(101,021)	(810,000)	2/15/2025	Zero Coupon LIBOR 3 Month rate
Interest Rate Swap	(248,843)	(2,030,000)	2/15/2025	Zero Coupon LIBOR 3 Month rate
Interest Rate Swap	(132,678)	(1,060,000)	2/15/2025	Zero Coupon LIBOR 3 Month rate
Interest Rate Swap	(334,973)	(2,790,000)	11/15/2027	Zero Coupon LIBOR 3 Month rate
Interest Rate Swap	(128,938)	(1,885,000)	7/26/2040	Pay 3.69% Receive LIBOR 3 Month rate
Totals	<u><u>\$ (2,186,906)</u></u>	<u><u>\$ (23,507,000)</u></u>		

For the Fiscal Year Ended September 30, 2010

NOTE 4 - LIABILITIES**A. Commitments****1. Construction Projects****a. Primary Government**

At September 30, 2010, the Department of Transportation had construction and maintenance contracts of \$2,997,478,000. The amount already performed was \$2,645,030,000, leaving an outstanding balance of \$352,448,000. The funding sources for this amount are 83 percent Federal funds and 17 percent state and local funds.

The Public Health Care Authority had total contracts for construction and repair of county health department buildings of \$1,805,000 at September 30, 2010.

The State Port Authority has contracts for several projects with estimated costs to complete of approximately \$52 million.

b. Component Units

The University of Alabama at Birmingham had construction and renovation commitments remaining at September 30, 2010 of approximately \$68,621,000, which is expected to be financed from private gifts, grants, bond proceeds, and University of Alabama at Birmingham reserves.

Auburn University had construction and renovation contracts for various facilities that are estimated to cost approximately \$703,000,000. At September 30, 2010, the estimated remaining cost to complete the projects was approximately \$317,000,000 payable from University funds and bond proceeds.

The University of Alabama at Tuscaloosa had construction and renovation contract commitments for several facilities at September 30, 2010. The estimated remaining costs to complete the facilities was approximately \$68,400,000 million which is expected to be financed from private gifts, grants, bond proceeds and University funds.

At September 30, 2010, Jacksonville State University had commitments on construction projects of \$1,549,000.

2. Operating Leases

The State and its component units have entered into various lease agreements for real property. These leases do not represent material commitments by the State, therefore disclosure of minimum future lease payments is not provided.

3. Economic Development

The State and its component units have made a variety of economic development grant commitments to the private sector to finance the cost of industries locating and expanding in the State, as well as the training costs of employees.

a. Primary Government

The State has committed to economic development grants totaling \$308,343,000 as of September 30, 2010. It is expected that in fiscal year 2011, \$23,752,000 of commitments will be paid from appropriations, \$17,291,000 from prior year carry forward dollars, and \$126,917,000 will be paid from existing general obligation bond proceeds. The remaining \$140,383,000 is expected to be paid in fiscal year 2012 or later from appropriations.

b. Component Units

The Alabama Incentives Finance Authority, a component unit, has committed to economic development grants of \$110,000 for fiscal year 2011 and \$17,028,000 from fiscal year 2012 and beyond. The Alabama Public School and College Authority, a component unit, has committed \$4,125,000 from fiscal year 2011. The Twenty-first Century Authority, a component unit, has committed to economic development grants of \$3,046,000 for fiscal year 2011.

c. State Entity

The State as a whole has an additional \$161,060,000 in economic development grant commitments to meet for which the funding source has not yet been decided, therefore they are not included above as either primary government or component unit. All of these grant commitments will be paid in 2012 or beyond.

4. Other Commitments

The Alabama Housing Finance Authority, a component unit, has designated \$69,640,000 of its unrestricted net assets for fiscal year September 30, 2010 for funding of future single-family mortgage revenue bond programs, to support its single-family mortgage loan origination and warehousing operations, and to cover its operating expense budget for the following fiscal year.

B. Claims and Judgments

A judgment was entered against the State in favor of Alabama State University and Alabama A&M University. The State paid each University the final payment of \$1,000,000 this year, so the total amount outstanding is \$0. The Education Trust Fund was used to liquidate this debt.

A settlement agreement was made between the State and BellSouth Telecommunications, Inc. regarding Alabama's unconstitutional foreign franchise tax. The State must pay BellSouth \$4,767,000 for the next year in the form of actual payments and tax credits. The amount outstanding is \$4,767,000. The General Fund is being used to liquidate this debt.

C. Conduit Debt

Troy University, a component unit, issued Special Limited Obligation Revenue Bonds Series 1997 to provide athletic facility improvements for Sartain Hall and Memorial Stadium. The total amount of outstanding conduit debt as of September 30, 2010 is \$4,110,000. The bonds are limited obligations of the City of Troy and are payable entirely from the amounts received under the indenture. The bonds do not constitute a debt or pledge of faith and credit of the University or the State of Alabama, and it is not reflected in the accompanying financial statements.

Revenue bonds were issued by Alabama Housing Financing Authority, a component unit, which constituted conduit debt outstanding at year-end totaling \$201,060,000 to provide multifamily housing for the citizens of Alabama. The Authority does not actively monitor the operating performance or financial condition of the multifamily properties financed by the bonds. Multifamily mortgage loans are collateralized by varying methods, including first-liens on multifamily residential rental properties located within the State of Alabama, letters of credit, surety bonds and guarantees provided by third parties. These bonds do not constitute a debt or pledge of the faith and credit of the Authority or the State of Alabama, and accordingly, have not been reported in the accompanying financial statements.

D. Long-term Debt

1. Debt Limitations and Methods of Bond Issuance

Under Section 213 of the *Constitution of Alabama of 1901*, as modified by Amendment 26, the State is constitutionally prohibited from incurring debt except to repel invasion or suppress insurrection. Therefore, the only method under which general obligation debt can be incurred is by amendment to the *Constitution*. Although conventions proposed by the legislature and approved by the electorate may be called for the purpose of amending the *Constitution*, historically all amendments have been adopted by a procedure which requires them to be proposed by a three-fifths majority of each house of the legislature and thereafter ratified by a majority of the electorate.

The Supreme Court of Alabama has ruled that the debt prohibition does not apply to debts incurred by separate public corporations functioning as state instrumentalities. The State has followed the practice of financing certain capital improvements by issuing debt through such public corporations. The legislature (through enabling legislation) and the Governor (by executive order) have created public corporations and authorities of the State for the purpose of financing projects and programs such as public highways, public educational facilities, judicial buildings, student loans, affordable housing, economic development grants, and other projects. In most instances, state officials such as the Governor, Lieutenant Governor, Attorney General, State Treasurer, and the Director of Finance serve as board members of these corporations. The revenue bonds issued by these corporations are limited obligations of the corporation, not general obligations of the State, and the full faith and credit of the State is not pledged for their repayment. Certain revenues, usually earmarked taxes or revenues generated from the project financed, are pledged for the payment of the debt. Depending on the GASB criteria discussed in Note 1, some of these corporations are reported by blending them with the primary government and some are reported discretely. The State also enters into lease purchase agreements which are reported in accordance with generally accepted accounting principles as capital lease debt or notes payable.

For the Fiscal Year Ended September 30, 2010

The State and its component units issue serial and term bonds and capital appreciation bonds. Capital appreciation bonds are sold at a deep discount and do not pay any interest until the bonds mature. Based on the original offering price, the bonds increase in value as semi-annual interest is earned and is compounded from the original issuance date to the date of maturity. The issuance of this type bond postpones the cash flow until the bonds mature or are called. The increase in the value of the bonds is referred to as accretion.

2. General Obligation Bonds – Governmental Activities

The State has general obligation bond issues outstanding for the purpose of financing major capital projects for: state waterways, State Port Authority's facilities, prisons, roads, bridges, mental hospitals, Mobile harbor, state parks, youth services facilities, state buildings, the State Coliseum, conservation and preservation projects, educational television, forensic sciences laboratories, agricultural development, diagnostic and research laboratories, and historical projects. General obligation bonds also finance grant programs for public school and college buildings, as well as economic development grants to industry and local government. The full faith and credit of the State is pledged for the payment of the bonds. The following schedule shows the general obligation annual debt service requirements and is followed by a detailed table describing each individual general obligation bond issue outstanding:

GENERAL OBLIGATION BONDS			
Debt Service Requirements to Maturity			
Maturity	Principal	Interest	Total
2011	\$ 25,390,000	\$ 34,161,088	\$ 59,551,088
2012	32,145,000	32,689,609	64,834,609
2013	41,790,000	31,397,122	73,187,122
2014	43,075,000	29,571,514	72,646,514
2015	44,705,000	27,567,001	72,272,001
2016-2020	252,890,000	105,079,360	357,969,360
2021-2025	205,650,000	47,930,269	253,580,269
2026-2030	80,620,000	11,358,575	91,978,575
2031-2035	14,985,000	1,132,000	16,117,000
Total	741,250,000	\$ 320,886,538	\$ 1,062,136,538
Unamort Prem	34,643,057		
Unamort Loss	(6,562,781)		
	\$ 769,330,276		

GENERAL OBLIGATION BONDS PAYABLE

General Obligation Issue	Date Issued	Final Maturity Date	Interest Rates	Bonds Payable Sept. 30, 2010
Series 2001				
Series D - Public Historical Sites & Improvement Corp.	06/01/01	09/30/21	4.0% to 5.0%	4,025,000
Series E - Capital Improvement Bonds	11/01/01	09/01/21	4.0% to 5.0%	64,840,000
Series 2002				
Series A - Economic Development	09/01/02	09/01/22	3.0% to 5.0%	37,880,000
Series 2005				
Series A - Universities and Economic Development	02/01/05	08/01/25	3.0% to 5.0%	84,675,000
Series 2006 - Economic Develop. & Industry Recruitment	02/01/06	02/01/26	3.5% to 5.0%	54,370,000
Series 2007 - Economic Develop. & Industry Recruitment	08/01/07	08/01/27	3.5% to 5.0%	273,430,000
Series 2010				
Series A - Refunding Bonds	03/23/10	06/01/21	3.0% to 5.0%	37,765,000
Series B - Refunding Bonds	03/23/10	06/01/21	3.0% to 4.0%	12,180,000
Series C - Refunding Bonds	05/11/10	06/01/21	3.3% to 5.0%	62,085,000
Series D - Economic Development	05/11/10	06/01/32	3.0% to 5.0%	110,000,000
Sub-total General Obligation Bonds				741,250,000
‡ Plus: Unamortized Premiums				34,643,057
†† Less: Unamortized Loss				(6,562,781)
Total General Obligation Bonds				\$ 769,330,276

‡ Unamortized premiums were \$546,141 for Series 2001-E, \$618,004 for Series 2002-A, \$3,931,230 for Series 2005-A, \$868,352 for Series 2006, \$7,932,795 for Series 2007-A, \$3,771,805 for Series 2010-A, \$648,915 for Series 2010-B, \$6,419,620 for Series 2010-C and \$9,906,195 for Series 2010-D.

†† Unamortized accounting losses were \$1,004,488 for Series 2010-A, \$294,463 for Series 2010-B, and \$5,263,832 for Series 2010-C.

3. Revenue Bonds

a. Primary Government – Governmental Activities

The Alabama Corrections Institution Finance Authority issues bonds for the purposes of acquiring land and constructing correctional institutions. The bonds are payable from revenues derived from payments under a lease agreement between the Authority and the Department of Corrections.

The Montgomery Downtown Redevelopment Authority issued bonds to fund the construction of the Gordon Persons Building. Debt service is payable solely from the revenues and receipts paid pursuant to leases, proceeds of insurance in the event of damage or destruction of the building, amounts received in the event of condemnation of the building, amounts payable by MBIA under the Insurance Policy, amounts on deposit in the Reserve Fund held by the Trustee, earnings, if any on funds held by the Trustee, and funds received by the Trustee in the event of any foreclosure sale of the building.

The Alabama Building Renovation Finance Authority issues bonds to provide funding for the renovation, reconstruction, operation, and maintenance of public office buildings in the state capitol complex. The Authority also receives income from the rental of the office buildings to state agencies. The bonds issued by the Authority are payable from the rents received by the authority under lease agreements.

The Alabama Judicial Building Authority issues bonds for the purpose of funding the acquisition, construction, and capital improvements of judicial facilities. The bonds are payable from revenues and receipts paid by the Judicial System pursuant to the lease, and earnings, if any, on funds held by the State Treasurer.

The Alabama Public Health Care Authority issues bonds for the purpose of funding the acquisition, construction, and equipping of buildings located in each county for the use of the Department of Public Health. Transfers received from the Department of

STATE OF ALABAMA

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Public Health, along with income from investing idle funds, and a Municipal Bond Insurance Policy are used for the payment of principal and interest on the bonds.

The Alabama Federal Aid Highway Finance Authority issues bonds for the purpose of funding the costs of constructing any roads, streets, parks, right of ways, bridges, railroad crossings, drainage structures, signs, guard rails, structures, interstates, surfaces, resurfaces, shoulders, road sides, or any other work which is eligible for federal aid financing assistance under Title 23, Chapter 1, of the United States Code and applicable regulations. The bonds are issued in anticipation of the receipt by the State of the federal share of the costs.

PRIMARY GOVERNMENT					
Governmental Activities	Date	Final	Interest	Bonds	
Revenue Bonds	Issued	Maturity	Rates	Payable	
		Date		Sept. 30, 2010	
Alabama Corrections Institution Finance Authority					
2003-A Refunding Bonds	01/01/03	10/01/13	3.00% to 4.00%	\$	5,470,000
2003-B Term Bonds	01/01/03	04/01/15	5.00% to 5.00%		4,000,000
Montgomery Downtown Redevelopment Authority					
Series 2002	08/08/02	10/01/13	2.30% to 5.00%		16,715,000
Alabama Building Renovation Finance Authority					
Series 2006	08/01/06	09/01/31	4.00% to 5.00%		28,380,000
Series 2010	07/21/10	09/01/24	2.50% to 4.00%		26,990,000
Alabama Judicial Building Authority					
Series 2007 Bonds	10/01/07	11/01/18	3.50% to 5.00%		27,405,000
Alabama Public Health Care Authority					
Series 2005	09/28/05	09/01/35	4.00% to 4.50%		52,410,000
Alabama Federal Aid Highway Finance Authority					
Series 2002-A	04/01/02	09/01/17	3.25% to 5.25%		110,360,000
Sub-total Revenue Bonds Payable					271,730,000
‡ Less: Unamortized Discounts					(421,592)
§ Plus: Unamortized Premiums					5,943,968
†† Less: Unamortized Loss					(2,969,214)
Net Primary Government					
Revenue Bonds Payable, Governmental Activities				\$	274,283,162

‡ Unamortized Discount \$421,592 for Public Health Care Authority.

§ Unamortized premium is \$1,416,436 for Federal Aid Highway Finance Authority, \$946,527 for Montgomery Downtown Redevelopment Authority, \$199,347 for Alabama Corrections Institution Finance Authority, \$2,473,810 for Building Renovation Finance Authority and \$907,848 for Judicial Building Authority.

†† Unamortized accounting losses were \$1,213,388 for the Alabama Building Renovation Finance Authority, \$557,977 for Montgomery Downtown Redevelopment Authority, \$75,312 for Alabama Corrections Institution Finance Authority \$792,837 for Public Health Care Authority, and \$329,700 for Judicial Building Authority.

b. Primary Government – Business-Type Activities

The Alabama State Port Authority issued bonds for the construction and maintenance of a wharf, warehouse, open storage area, and other port facilities at Mobile Bay. The bonds are secured by the gross revenues of the Authority derived from charges made by the Authority for all services provided. At September 30, 2010, the outstanding principal balance of the 2008-A bonds was \$60,815,000. The Series 2008-A bonds will bear interest at a rate of 100 basis points plus 67% of LIBOR (London Interbank Offered Rate). The rate at 9/30/10 was 1.17%. At September 30, 2010, the outstanding principal balance of the 2008-B bond anticipation note was \$50,000,000. The Series 2008-B bonds will bear interest at a rate of 50 basis points plus LIBOR. The rate at 9/30/10 was 2.56%. At September 30, 2010, the outstanding principal balance of the 2009-A bond anticipation note was \$29,298,000. The rate at 9/30/10 was 2.26%. The Authority issued Series 2010 Docks Facilities Revenue Bonds during

December 2010. The Series 2010 debt has refunded the 2008-B and 2009-A debt with long-term debt, and as such, the 2008-B and 2009-A debt is shown as long-term as of September 30, 2010.

The Alabama College System has numerous bond issues outstanding for a variety of purposes. Most were issued for the construction, renovation, and acquisition of buildings for various purposes, including classrooms, research facilities, dormitories, student centers, dining facilities, and athletic facilities.

PRIMARY GOVERNMENT				
Business-Type Activities	Date	Final	Interest	Bonds Payable
Revenue Bonds, Proprietary Funds	Issued	Maturity	Rates	Sept. 30, 2010
State Port Authority				
Series 2006-A	11/01/06	10/01/36	4.50% to 5.00%	\$ 147,610,000
Series 2006-B	11/01/06	10/01/36	4.50% to 5.00%	59,485,000
Series 2006-D	12/07/06	10/01/30	Variable	21,600,000
Series 2008-A	04/01/08	10/01/21	Variable	60,815,000
Series 2008-B	07/09/08	12/10/10	Variable	50,000,000
Series 2009-A	11/03/09	12/01/10	Variable	29,298,000
Alabama College System	Various	Various	1.60% to 7.65%	274,255,000
Sub-total Revenue Bonds Payable, Proprietary Funds				643,063,000
§ Less: Unamortized Premium				4,235,839
†† Less: Unamortized Loss				(9,189,613)
Net Primary Government Revenue Bonds Payable, Proprietary Funds				\$ 638,109,226

§ Unamortized premium \$4,235,839 for Alabama State Port Authority.

†† Unamortized accounting losses were \$9,189,613 for Alabama State Port Authority.

Revenue Bonds					
Debt Service Requirements to Maturity					
Maturity	Governmental Activities		Business-type Activities		
	Principal	Interest	Principal	Interest	
2011	\$ 27,040,000	\$ 12,336,563	\$ 23,000,000	\$ 28,282,589	
2012	28,265,000	11,036,060	24,065,000	27,566,180	
2013	29,535,000	9,689,020	24,270,000	26,672,759	
2014	24,715,000	8,230,631	28,200,000	26,945,749	
2015	25,850,000	6,990,566	28,560,000	25,235,432	
2016-2020	71,295,000	20,160,133	128,995,000	107,152,101	
2021-2025	26,350,000	11,979,438	128,625,000	80,072,106	
2026-2030	21,230,000	6,875,775	87,470,000	55,709,824	
2031-2035	17,450,000	2,235,600	81,945,000	34,236,497	
2036-2040	0	0	87,933,000	14,480,802	
Total	271,730,000	\$ 89,533,786	643,063,000	\$ 426,354,039	
Unamort Prem	5,943,968		4,235,839		
Unamort Loss	(2,969,214)		(9,189,613)		
Unamort Disc	(421,592)		0		
	\$ 274,283,162		\$ 638,109,226		

For the Fiscal Year Ended September 30, 2010

c. Component Units

The Alabama Incentives Finance Authority issues bonds to fund financial commitments to industries relocating to Alabama under the terms of the State's Industrial Incentives legislation. Revenues from the Tennessee Valley Authority to the State "in lieu of taxes" are pledged for the payment of these bonds.

The Alabama Public School and College Authority is authorized to issue bonds to construct and improve educational buildings. Revenue from the sales and use taxes, the leasing tax, and the utilities gross receipts and use taxes are pledged for the payment of these bonds.

The State Industrial Development Authority issues bonds for the purpose of financing projects that promote the industrial development of the State. Revenues from cigarette and tobacco taxes are pledged for the payment of these bonds.

The Alabama Mental Health Finance Authority issues bonds for the acquisition, construction, improvement, and equipping of mental health facilities. Revenues from certain tobacco and liquor taxes are pledged for the payment of principal and interest on these bonds.

The Alabama Twenty-first Century Authority issues bonds for the purpose of promoting economic development and industrial recruitment for the State of Alabama. The bonds are special obligations of the Authority payable solely from the Trust Estate created under the Indenture.

The Alabama Revolving Loan Fund Authority issues bonds for the purpose of making grants to the Regional Planning and Development Commissions which are utilized by the grantees as revolving loan funds. Revenues from privilege and license tax on providers of cellular radio telecommunication services are used to pay the debt.

The Alabama Housing Finance Authority issues bonds that are limited obligations of the Authority and are not a debt or liability of the State. Each bond issue is secured, as described in the applicable trust indenture, by all revenues, monies, investments, mortgage loans, and other assets in the funds and accounts of the program. Substantially all of the Authority's assets are pledged as security for the bonds.

The Alabama Water Pollution Control Authority issues bonds to provide funds for the purpose of making loans to certain local government units to construct sewage treatment plants and related facilities. Proceeds from loan agreements are used for payment of debt service related to the bonds.

The Alabama Drinking Water Authority issues bonds to provide funds for the purpose of making loans to local governments for planning, designing, acquiring, or constructing sanitary drinking water and related facilities. Proceeds from the loan agreements are used for payment of debt service related to the bonds.

The Alabama Space Science Exhibit Finance Authority issued bonds to finance the construction of the Space Camp and related housing facilities for the campers. The bonds are secured by a lease of the facilities to the Space Science Exhibit Commission as well as a pledge of all revenues of the Commission. At September 30, 2010, the outstanding principal balance of the 2009-A bonds was \$4,400,000. The interest rate is variable and equal to 70% of LIBOR plus 3%, but at no time less than 4.3%. The interest rate was 4.3% as of September 30, 2010.

The Alabama Higher Education Loan Corporation issues bonds to provide Alabama lending institutions with a secondary market for student loans made under the Higher Education Act, as amended, which established the Federal Family Education Loan Program. The corporation issues tax-exempt revenue bonds in order to fund its operations. The proceeds are used to purchase student loans and fund operating costs of the corporation. The bonds are repaid from principal repayments on student loans, interest, and special allowance payments from the U. S. Department of Education, interest income from investments, guaranteed payments on defaulted loans, proceeds from any sale of loans and issuance of refunding bonds. The interest rate for the 2006A-1 and 2006-A2 bonds is an auction rate based on an auction period of 35 days. At September 30, 2010, the rate for the 2006-A1 was 0.106% and the rate for the 2006-A2 was 0.455%.

The boards of the various **institutions of higher education** have numerous bond issues outstanding for a variety of purposes. Most were issued for the construction, renovation, and acquisition of buildings for various purposes, including classrooms, research facilities, dormitories, student centers, dining facilities, hospitals, and athletic facilities.

COMPONENT UNITS	Date	Final Maturity	Interest	Bonds Payable
Revenue Bonds	Issued	Date	Rates	Sept. 30, 2010
Alabama Incentives Finance Authority				
Series 2009-A	09/17/09	09/01/29	3.00% to 4.00%	\$ 23,605,000
Series 2009-B	09/17/09	09/01/29	1.93% to 4.97%	98,945,000
Series 2009-C	09/17/09	09/01/29	3.00% to 4.00%	17,800,000
Alabama Public School and College Authority				
Series 2001-A	05/15/01	02/01/21	4.50% to 5.63%	34,095,000
Series 2002-A	08/22/02	02/01/22	3.00% to 5.00%	75,285,000
Series 2002-B	12/01/02	12/01/28	4.00% to 5.00%	26,800,000
Series 2003	12/01/03	02/01/23	2.00% to 5.00%	97,110,000
Series 2005	02/01/05	08/01/25	3.00% to 4.50%	69,690,000
Series 2006	03/01/06	03/01/26	4.00% to 5.00%	46,360,000
Series 2007	12/05/07	12/01/27	2.50% to 5.00%	1,003,595,000
Series 2008	02/05/08	02/01/28	3.25% to 4.25%	45,980,000
Series 2009-A	10/21/09	05/01/24	5.00% to 5.00%	422,605,000
Series 2009-B	10/21/09	05/01/19	3.00% to 5.00%	159,040,000
Series 2009-C	10/21/09	05/01/29	3.00% to 4.00%	35,705,000
Series 2009-D	12/03/09	12/15/25	5.76% to 5.76%	145,880,000
Series 2010-A	04/14/10	05/01/19	4.00% to 5.00%	109,775,000
Series 2010-B	04/14/10	05/01/14	5.00% to 5.00%	70,980,000
Series 2010-Q	09/14/10	03/01/27	5.15% to 5.15%	154,727,000
State Industrial Development Authority				
Special Tax Bonds, Series 2003	01/01/03	07/01/13	2.50% to 4.50%	650,000
Mental Health Finance Authority				
Series 2005	06/01/05	06/01/15	3.00% to 5.00%	7,010,000
Alabama Twenty-first Century Authority				
Tobacco Settlement Revenue Bonds, Series 2000	09/01/00	12/01/20	5.00% to 6.13%	33,780,000
Tobacco Settlement Revenue Bonds, Series 2001	12/01/01	12/01/19	5.25% to 5.75%	80,985,000
Alabama Revolving Loan Fund Authority				
Series 2000	03/01/00	03/01/20	8.18% to 8.18%	8,330,000
Sub-Total Revenue Bonds, Component Units				\$ 2,768,732,000

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STATE OF ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2010

COMPONENT UNITS, Continued	Date	Final Maturity	Interest	Bonds Payable
Revenue Bonds	Issued	Date	Rates	Sept. 30, 2010
Sub-Total from previous page				\$ 2,768,732,000
Alabama Housing Finance Authority				
Single family Bond Programs	1999-2010	2015-2039	Various	514,357,000
Alabama Water Pollution Control Authority				
Refunding Bonds, Series 1997	10/01/97	08/15/12	4.50% to 5.00%	9,900,000
Revolving Fund Loan Bonds, Series 2000	12/01/00	08/15/23	4.30% to 5.75%	43,370,000
Revolving Fund Loan Bonds, Series 2002-A	01/15/02	08/15/24	3.00% to 5.10%	24,155,000
Refunding Bonds, Series 2002-B	02/01/02	08/15/14	3.00% to 5.40%	23,105,000
Revolving Fund Loan Bonds, Series 2003-A	01/01/03	08/15/26	3.00% to 5.00%	30,680,000
Revolving Fund Loan Bonds, Series 2003-B	01/01/03	02/15/16	3.00% to 4.38%	28,780,000
Revolving Fund Loan Bonds, Series 2003-C	08/01/03	08/15/15	2.50% to 4.25%	5,385,000
Revolving Fund Loan Bonds, Series 2004-A	04/01/04	08/15/16	2.00% to 4.00%	18,330,000
Revolving Fund Loan Bonds, Series 2008	02/01/08	08/15/29	3.00% to 4.00%	38,715,000
Revolving Fund Loan Bonds, Series 2010-A	06/21/10	08/15/23	3.00% to 4.00%	36,440,000
Revolving Fund Loan Bonds, Series 2010-B	08/02/10	08/15/21	2.00% to 3.00%	64,750,000
Alabama Drinking Water Authority				
Revolving Fund Loan Bonds, Series 1998-A	09/01/98	08/15/22	4.00% to 4.85%	21,080,000
Revolving Fund Loan Bonds, Series 2000-A	02/01/00	08/15/21	4.10% to 6.00%	5,550,000
Revolving Fund Loan Bonds, Series 2000-B	02/01/00	08/15/21	8.35% to 8.35%	3,750,000
Revolving Fund Loan Bonds, Series 2000-C	12/01/00	08/15/23	4.30% to 5.50%	18,300,000
Revolving Fund Loan Bonds, Series 2002-A	01/01/02	08/15/24	3.00% to 5.46%	25,765,000
Revolving Fund Loan Bonds, Series 2003-A	12/01/03	08/15/21	2.00% to 4.50%	33,705,000
Revolving Fund Loan Bonds, Series 2004-A	12/01/04	08/15/28	4.00% to 4.63%	24,625,000
Revolving Fund Loan Bonds, Series 2005-A	10/01/05	08/15/28	4.00% to 5.25%	41,490,000
Alabama Space Science Exhibit Finance Authority				
Series 2005-B	05/01/05	Apr 2026	5.77% to 5.77%	10,500,000
Series 2009-A	09/25/10	09/01/29	4.33% to 4.33%	4,400,000
Higher Education Loan Corporation				
Student Loan Revenue Bonds, Series 2006-A1	11/27/06	03/01/33	Variable	18,775,000
Student Loan Revenue Bonds, Series 2006-A2	11/27/06	11/01/41	Variable	56,325,000
Sub-total Revenue Bonds Payable, Component Units				\$ 3,870,964,000

Continued on next page

COMPONENT UNITS, Continued Revenue Bonds	Date Issued	Final Maturity Date	Interest Rates	Bonds Payable Sept. 30, 2010
Sub-Total from previous page				\$ 3,870,964,000
Higher Education				
University of Alabama - Tuscaloosa	2004	2036	2.75% to 5.90%	543,185,000
University of Alabama - Birmingham	1993	2041	2.50% to 5.75%	715,020,000
University of Alabama - Huntsville	05/01/80	09/01/34	1.40% to 5.30%	86,226,000
Alabama A&M University	1980	2033	3.00% to 5.38%	60,040,000
Alabama State University	1965	2038	1.90% to 8.50%	165,957,000
Auburn University	1978	2038	1.40% to 6.00%	544,988,772
Jacksonville State University	1993	2023	2.25% to 5.00%	82,265,000
University of West Alabama	12/01/67	06/01/19	3.00% to 3.00%	2,155,000
University of Montevallo	1985	2030	3.00% to 4.60%	19,399,000
University of North Alabama	1999	2035	1.35% to 5.40%	21,145,000
University of South Alabama	1999	2038	2.00% to 5.25%	330,574,000
Troy University	1998	2028	2.75% to 6.50%	102,880,000
Total Revenue Bonds Payable				6,544,798,772
Less: Unamortized Discounts				(11,787,041) †
Less: Unamortized Loss				(56,077,685) ‡
Plus: Unamortized Premium				144,139,990 §
Net Revenue Bonds Payable, Component Units				\$ 6,621,074,036

† Unamortized discounts were \$9,649,517 for the University of Alabama - Birmingham, \$55,000 for the University of South Alabama, \$101,902 for the University of Montevallo, \$714,984 for the Drinking Water Authority, \$275,306 for Auburn University, \$15,000 for State Industrial Development Authority, \$246,091 for the University of North Alabama, and \$729,241 for Alabama State University.

‡ Unamortized accounting loss was \$3,664,506 for Alabama State University, \$487,983 for the Alabama Space and Science Commission, \$5,953,845 for the Water Pollution Control Authority, \$32,858,923 for the Public School and College Authority, \$2,146,881 for the University of Alabama - Tuscaloosa, \$5,681,638 for Auburn University, \$250,482 for the Mental Health Finance Authority, \$540,000 for the University of South Alabama, \$1,578,805 for Incentives Financing Authority and \$2,914,623 for Alabama A & M University.

§ Unamortized premiums were \$1,819,125 for the University of Alabama - Tuscaloosa, \$10,838,886 for Auburn University, \$1,122,484 for the Alabama Twenty-first Century Authority, \$112,303,268 for Alabama Public School and College Authority, \$7,656,000 for the University of South Alabama, \$2,651,637 for the Water Pollution Control Authority, \$404,022 for the Mental Health Finance Authority, \$1,076,412 for Alabama State University, \$3,829,972 for Incentives Financing Authority and \$2,438,184 for Alabama A & M University.

STATE OF ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2010

COMPONENT UNITS Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2011	\$ 321,783,610	\$ 291,954,734	\$ 613,738,344
2012	343,664,833	282,837,215	626,502,048
2013	322,952,538	270,788,707	593,741,245
2014	325,889,349	256,815,879	582,705,228
2015	303,070,361	242,628,840	545,699,201
2016-2020	1,517,696,606	1,003,994,929	2,521,691,535
2021-2025	1,211,911,475	667,519,361	1,879,430,836
2026-2030	1,193,797,000	372,062,187	1,565,859,187
2031-2035	595,787,000	193,417,942	789,204,942
2036-2040	377,286,000	51,079,705	428,365,705
2041-2045	30,960,000	1,585,903	32,545,903
Total	6,544,798,772 †	\$ 3,634,685,402	\$ 10,179,484,174
Unamort Disc	(11,787,041)		
Unamort Loss	(56,077,685)		
Unamort Prem	144,139,990		
	\$ 6,621,074,036		

† The above table shows interest in the year it will be paid, not the year it is accrued.

4. Refunded Bonds

Advance refunding bonds are issued to retire existing bonds. A portion of the proceeds from the sale of the refunding bonds is deposited with an escrow agent according to an escrow trust agreement. The proceeds are invested by the escrow agent in certain U.S. Treasury obligations in such amounts with certain maturities to provide sufficient funds to pay the remaining maturing principal and interest on the refunded bonds as they become due. The refunded bond debt is considered to be retired for financial reporting purposes even though the debt is still legally outstanding and the issuer of the bonds has not been released from the debt obligations. The U.S. Treasury obligations constitute a trust fund to be held by the escrow agent for the benefit of the holders of the refunded bonds. Advance refundings and early redemptions are discussed in the remainder of this section.

In March 2010, the State of Alabama issued General Obligation Refunding Bonds Series 2010-A (bonds) in the amount of \$37,765,000. An original issue premium of \$3,771,805 was received on the sale of the bonds. The bond proceeds were used to refund, on a current basis, the General Obligation Bonds Series 2001-A bonds with an aggregate outstanding principal amount of \$40,185,000. As a result of the refunding, the State of Alabama recognized an economic gain of \$4,687,849 and a reduction in the cash flows required to service the new debt compared to the cash flows to service the old debt of \$7,729,940.

In March 2010, the State of Alabama issued General Obligation Refunding Bonds Series 2010-B (bonds) in the amount of \$12,180,000. An original issue premium of \$648,915 was received on the sale of the bonds. The bond proceeds were used to refund, on a current basis, the General Obligation Series 2001-B bonds with an aggregate outstanding principal amount of \$12,425,000. As a result of the refunding, the State of Alabama recognized an economic gain of \$1,372,075 and a reduction in the cash flows required to service the new debt compared to the cash flows required to service the old debt of \$2,066,893.

In May 2010, the State of Alabama issued General Obligation Refunding Bonds Series 2010-C (bonds) in the amount of \$62,085,000. An original issue premium of \$6,419,621 was received on the sale of the bonds. The bond proceeds together with \$11,646,870 of remaining General Obligation 2001-C funds were used to refund, on an advance basis, the General Obligation Bonds Series 2001-C bonds with an aggregate outstanding principal amount of \$74,415,000. As a result of the refunding, the State of Alabama recognized an economic gain of \$5,568,512 and a reduction of reduction in the cash flows required to service the new debt compared to the cash flows required to service the old debt of \$12,543,646.

On October 28, 2009, the Alabama Public School and College Authority (APSCA) issued Capital Improvement Refunding Bonds Series 2009-A in the amount of \$467,325,000. An original issue premium of \$34,459,604.70 was received on the sale of the

bonds. The Series 2009-A bond proceeds were used to refund, on a current basis, the APSCA Series 1998 bonds maturing fiscal years 2010 through 2017 with an aggregate principal amount outstanding of \$212,720,000, Series 1999-A bonds with an aggregate principal amount outstanding of \$18,360,000, and Series 1999-C bonds with an aggregate outstanding principal amount of \$250,000,000. The APSCA had an economic gain related to the refunding of \$23,206,829 and a reduction in the cash flows required to service the new debt versus the cash flows to service the old debt of \$7,922,939.

On October 28, 2009, the APSCA issued Capital Improvement Pool Refunding Bonds Series 2009-B in the amount of \$174,960,000. An original issue premium of \$12,193,548.45 was received on the sale of the bonds. The Series 2009-B bonds were used to refund, on a current basis, the Series 1999-D bonds with an aggregate principal amount outstanding of \$151,170,000 and to refund, on an advance basis, the Series 1999-C maturing 2014 through 2018 with an aggregate principal amount outstanding of \$27,815,000. The APSCA had an economic gain related to the refunding of \$14,676,246 and a reduction in the cash flows required to service the new debt versus the cash flows to service the old debt of \$28,033,133.

On April 22, 2010, the APSCA issued Capital Improvement Bonds Series 2010-A in the amount of \$109,775,000. An original issued premium of \$12,259,295 was received on the sale of the bonds. The Series 2010-A bonds were used to refund, on an advance basis, Series 1998 bonds maturing in November 2017 and 2018 with an aggregate principal amount outstanding of \$66,190,000 and Series 2009-A Series bonds maturing in 2025 through 2029 with an aggregate principal amount outstanding of \$44,720,000. The APSCA had an economic gain related to the refunding of \$7,258,276 and a reduction in the cash flows required to service the new debt versus the cash flows to service the old debt of \$34,437,176.

On April 22, 2010, the APSCA issued Capital Improvement Bonds Series 2010-B in the amount of \$70,980,000. An original issue premium of \$7,926,803 was received on the sale of the bonds. The Series 2010-B bonds were used to refund, on an advance basis, Series 2001-C bonds maturing 2010 through 2013 with an aggregate principal amount outstanding of \$74,900,000. The APSCA had an economic gain related to the refunding of \$3,107,981 and a reduction in the cash flows required to service the new debt versus the cash flows to service the old debt of \$6,518,540.

On June 21, 2010, the Alabama Water Pollution Control Authority issued the 2010-A Revolving Fund Loan Refunding Bonds in the amount of \$36,440,000 with interest rates ranging from 3% to 4%. The 2010-A bonds were used to refund \$42,615,000 of the Series 1999 bonds. The refunding resulted in an accounting loss of approximately \$795,521. The Authority reduced its aggregate debt service by approximately \$16.6 million and obtained an economic gain of approximately \$7.4 million.

On August 2, 2010, the Water Pollution Control Authority issued the 2010-B Revolving Fund Loan Refunding Bonds in the amount of \$64,750,000 with interest rates ranging from 2% to 3%. The 2010-B bonds were used to refund \$39,535,000 of the Series 1998-A bonds and \$40,410,000 of the Series 1998-B bonds. The refunding resulted in an accounting loss of approximately \$1,030,734. The Authority reduced its aggregate debt service by approximately \$23 million and obtained an economic gain of approximately \$11.7 million.

On July 21, 2010, The Alabama Building Renovation Finance Authority issued the Series 2010 Revenue Refunding Bonds in the amount of \$26,990,000 with interest rates from 2.5% to 4%. The 2010 bonds were used to currently refund \$27,915,000 of the Series 1999 bonds. The refunding resulted in an accounting loss of \$1,213,388. The Authority had an economic gain related to the refunding of \$5,048,164 and a reduction in the cash flows required to service the new debt versus the cash flows to service the old debt of \$5,666,403.

On December 29, 2009, Auburn University issued \$79,500,000 in General Fee bonds with interest rates ranging from 2% to 5% were issued to advance refund \$79,450,000 of outstanding bonds with interest rates ranging from 4.45% to 6%. This refunding resulted in the University recognizing a loss of \$6,121,267 for the difference between the acquisition price of the new debt and the net carrying amount of the old debt. The economic gain for the University is \$4,352,046.

STATE OF ALABAMA**NOTES TO THE FINANCIAL STATEMENTS**

For the Fiscal Year Ended September 30, 2010

Defeased Bonds:

Component Units	Amount
University of Alabama in Tuscaloosa	\$ 23,500,000
University of Montevallo	7,820,000
Primary Government	Amount
State Port Authority	\$ 23,489,000

5. Arbitrage

The Tax Reform Act of 1986 requires that governmental entities issuing tax-exempt debt subsequent to August 1986, to calculate and rebate arbitrage earnings to the federal government. The U.S. Treasury has issued regulations on calculating the rebate amount and complying with the provisions of the Tax Reform Act of 1986. Governmental issuers must comply with the rebate regulation in order for their bonds to maintain tax-exempt status.

The regulations require the excess of the aggregate amount earned on investments purchased with bond proceeds over the amount that would have been earned if the proceeds were invested at a rate equal to the bond yield to be rebated to the federal government. Income earned on excess earnings is also subject to rebate. Rebate payments, if required, are due at least once every five years over the life of the bonds. Bond issues with arbitrage liabilities outstanding at September 30, 2010, were as follows:

Component Units	Amount
Water Pollution Control Authority	\$ 2,400,510
Housing Finance Authority	3,301,000

These lists are based upon incomplete data since some bond issues have not yet been included in arbitrage calculations. Any refunded bond issue is subject to the rebate requirement until the last bond is redeemed. Bond issues that have already been redeemed may be subject to additional payments if an arbitrage rebate or spending payment is owed and has not been paid.

6. Bonds Authorized But Not Issued

Bonds Authorized But Not Issued (Amounts in Thousands)

<u>Primary Government</u>	<u>Authorized</u>	<u>Issued</u>	<u>Unissued</u>
General Obligation Bonds			
State of Alabama	\$ 750,000	\$ 720,025	\$ 29,975
Federal Aid Highway Finance Authority	Based on amount received in federal funds		
Farmers Market Authority	10,000	-	10,000
Highway Authority	20,000	7,000	13,000
Corrections Institution Finance Authority	23,000	19,000	4,000
Public Health Finance Authority	45,000	-	45,000
Public Health Care Authority	Unlimited		
Parking Deck Authority	13,000	-	13,000
Gulf State Park Authority	70,000	-	70,000
Alabama Toll Road, Bridge and Tunnel Authority	Based on Authority's construction of toll road, bridge or tunnel projects payable from tolls and other revenues		
Total Primary Government	\$ 931,000	\$ 746,025	\$ 184,975
 Component Units			
State Industrial Development Authority †	\$ 100,000	\$ 38,390	\$ 61,610
Mental Health Finance Authority	100,000	84,265	15,735
Alabama Public School and College Authority-Pool Bonds	Unlimited		
Alabama Public School and College Authority-Capital Improvement Bonds	241,500	-	241,500
Alabama Revolving Loan Finance Authority	24,000	-	24,000
Alabama Incentives Financing Authority	300,000	175,000	125,000
Total Component Units	765,500	297,655	467,845
 Total Reporting Entity	 \$ 1,696,500	 \$ 1,043,680	 \$ 652,820

† The State Industrial Development Authority is authorized to issue a total of \$100,000,000 in bonds in addition to any bonds authorized prior to 1991. No more than \$40,000,000 in aggregate principal amount of such bonds may be outstanding at any one time. At 9/30/10, \$650,000 was outstanding.

7. Derivative Transactions

University of South Alabama - On February 27, 2007, the University of South Alabama Research and Technology Corporation entered into a derivative transaction with Wachovia Bank, N.A. The derivative is a "receive variable, pay fixed" interest rate swap entered into in connection with the promissory note that came into effect upon conversion of the construction loan into a permanent loan on May 1, 2008. The Corporation utilizes the interest rate swap to convert its variable rate on the promissory note to a synthetic fixed rate. The promissory note came into effect on May 1, 2008, upon conversion of the construction loan. Also, on May 1, 2008, the interest rate swap associated with the loan became effective. The swap will terminate on May 1, 2028, when the loan matures. The notional amount of the swap will at all times match the outstanding principal amount of the loan. Under the swap, the Corporation pays the counterparty a fixed payment of 6.10% and receives a variable payment of the one-month LIBOR rate plus 0.85%. The Corporation paid \$864,000 and \$756,000 under the interest rate swap agreement for the years ended

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NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2010

September 30, 2010 and 2009, respectively, which is reflected as an increase in interest expense.

Fair Value. The interest rate swap had a fair value of \$(4,171,030) at September 30, 2010. The changes in fair value are reported as a deferred outflow on the Statement of Net Assets since the interest rate swap is a hedging derivative instrument. The fair value of the interest rate swap was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement.

Interest Rate Risk. On the Corporation's "receive-variable, pay-fixed" interest rate swap, as LIBOR decreases, the net payment on the swap increases.

Credit Risk. As of September 30, 2010 the Corporation was not exposed to credit risk on the interest rate swap because it had a negative fair value. However, if interest rates change and the fair value of the derivative becomes positive, the Corporation would have a gross exposure to credit risk in the amount of the derivatives' fair value. The counterparty was rated Aa2 by Moody's Investors Services and AA by Standard & Poor's Ratings Services as of September 30, 2010.

Termination Risk. The interest rate swap contracts use the International Swaps and Derivatives Association, Inc. Master Agreement, which includes standard default and termination events, such as failure to make payments, breach of agreement, and bankruptcy. At September 30, 2010, no events of default or termination had occurred. If the interest rate swap is terminated, interest rate risk associated with the variable rate debt would no longer be hedged. Also, if at the time of termination the interest rate swap had a negative fair value, the Corporation would be liable to the counterparty for a payment equal to the interest rate swap's fair value. To allow the Corporation the maximum flexibility to manage the utilization of Building II and III while at the same time providing protection for the counterparty, the Corporation granted the counterparty a \$2,000,000 mortgage secured by an interest in the ground lease with respect to the parcel of land on which Building II stands, an interest in Building II, a security interest in Building II tenant leases and a security interest in income received from rental of Building II.

8. Notes, Mortgages, and Capital Leases

Debt Principal Requirements to Maturity

	Governmental Activities Principal	Business-Type Activities Principal	Component Units Principal
Maturity			
2011	\$ 5,534,766	\$ 2,764,887	\$ 13,124,620
2012	4,800,031	3,549,073	8,367,332
2013	4,694,171	1,210,893	6,374,297
2014	5,253,463	776,865	13,089,697
2015	4,831,936	323,490	16,388,808
2016-2020	26,577,533	2,420,817	31,474,379
2021-2025	24,881,841	581,744	35,967,195
2026-2030	26,187,185	60,333	39,668,694
2031-2035	13,017,226	-	33,025,002
2036-2040	1,483,352	-	2,605,000
2041-2045	67,698	-	-
Total	117,329,202	11,688,102	200,085,024
Interest	(214,155)	-	(1,957,578)
Net	<u>\$ 117,115,047</u>	<u>\$ 11,688,102</u>	<u>\$ 198,127,446</u>

At September 30, 2010 assets recorded under capital leases were as follows (amounts expressed in thousands):

	Governmental Activities
Buildings	\$ 87,589
Equipment	1,431
Less: accumulated depreciation	(31,136)
Total	<u><u>\$ 57,884</u></u>

The State leases office buildings and equipment with varying terms and options. Most buildings under capital lease have a term of twenty-five to thirty years, but can range from twenty to forty years. Capital leases are recorded at the lower of the present value of the future minimum lease payments or fair market value. Principal and interest capital lease payments are recorded as expenditures of the applicable governmental function in the governmental fund. The largest capital leases in governmental activities are for buildings in county facilities used by the Department of Public Health and the Department of Human Resources.

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NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2010

9. Changes in Noncurrent Liabilities

(Amounts in Thousands)	Beginning Balance (As Restated)	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government					
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 687,336	\$ 222,030	\$ (140,036)	\$ 769,330	\$ 25,390
Revenue Bonds	298,712	26,990	(51,419)	274,283	27,040
Capital Leases/Notes/Mortgages	56,927	65,802	(5,614)	117,115	5,535
Claims & Judgments	80,956	24,083	(30,457)	74,582	16,449
Compensated Absences †	291,608	14,396	(17,730)	288,274	2,147
Other Long-Term Liabilities ††	-	779	-	779	-
Other Post-Employment Benefits	272,074	188,290	(92,567)	367,797	-
Total Governmental Activities	1,687,613	542,370	(337,823)	1,892,160	76,561
Business-type Activities:					
Revenue Bonds	619,360	34,133	(15,384)	638,109	23,000
Capital Leases/Notes/Mortgages	14,275	700	(3,287)	11,688	2,765
Claims & Judgments	5,838	22,391	(21,769)	6,460	4,381
Compensated Absences †	26,957	6,789	(7,341)	26,405	2,366
Other Long-Term Liabilities ‡	17,063	4,236	(855)	20,444	-
Other Post-Employment Benefits	12,839	8,299	(4,079)	17,059	-
Total Business-Type Activities	696,332	76,548	(52,715)	720,165	32,512
Total Primary Government	\$ 2,383,945	\$ 618,918	\$ (390,538)	\$ 2,612,325	\$ 109,073
Component Units:					
Revenue Bonds	\$ 6,254,679	\$ 1,565,836	\$ (1,199,441)	\$ 6,621,074	\$ 321,784
Arbitrage	17,671	-	(11,969)	5,702	-
Capital Leases/Notes/Mortgages	205,029	16,840	(23,742)	198,127	13,125
Compensated Absences †	141,830	28,254	(38,183)	131,901	29,251
Claims & Judgments	128,213	1,217,009	(1,211,724)	133,498	133,496
Other Long-Term Liabilities §	200,535	-	(12,889)	187,646	1,000
Other Post-Employment Benefits	27,192	17,494	(8,599)	36,087	-
Total Component Units	\$ 6,975,149	\$ 2,845,433	\$ (2,506,547)	\$ 7,314,035	\$ 498,656

† Compensated Absences debt is liquidated proportionately by all funds having payroll costs.

†† Other Long-term liabilities are payable as follows: Department of Finance, \$779,000.

‡ Other Long-term liabilities are payable as follows: State Port Authority, \$20,266,000, and Alabama College System, \$178,000.

§ Other Long-term liabilities are payable as follows: University of Alabama, \$18,467,000, Auburn University, \$32,993,000, University of Alabama at Huntsville, \$178,000, University of South Alabama, \$87,225,000, University of North Alabama, \$258,000, University of Alabama at Birmingham, \$13,527,000 and Public School and College Authority, \$34,998,000.

NOTE 5 - INTERFUND ACTIVITY AND INTRA-ENTITY BALANCES

A. Interfund Balances

Interfund balances as of September 30, 2010 consisted of (amounts in thousands):

DUE TO	DUE FROM										Total
	General Fund	Education Trust Fund	Medicaid Fund	Public Road & Bridge Fund	Public Welfare Trust Fund	Nonmajor Governmental	Alcoholic Beverage Control Board	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	
General Fund	\$ 0	\$ 0	\$ 0	\$ 22	\$ 0	\$ 2,134	\$ 11,290	\$ 0	\$ 20	\$ 0	\$ 13,466
Education Trust	1,568	-	-	-	-	403	585	-	-	-	2,556
Alabama Trust	161,566	437,391	-	-	-	527	-	-	-	-	599,484
Medicaid Fund	-	381	-	-	1,752	5,625	-	-	-	-	7,758
Public Road & Bridge Fund	7	-	-	-	44	198	-	-	139	-	388
Public Welfare Trust Fund	-	-	7,606	-	-	600	6,204	-	-	-	14,410
Nonmajor Governmental	3,075	5,500	23,661	1,581	2,819	19,169	329	641	976	-	57,751
Unemployment Compensation	-	-	-	-	-	49	-	-	-	-	49
Alcoholic Beverage Control Board	-	-	-	-	-	47	-	-	-	-	47
Internal Service Funds	1,819	772	468	1,254	2,243	17,685	188	-	232	15	24,676
Fiduciary Funds	71	-	-	18	7	33	-	-	-	21	150
Totals	\$ 168,106	\$ 444,044	\$ 31,735	\$ 2,875	\$ 6,865	\$ 46,470	\$ 18,596	\$ 641	\$ 1,367	\$ 36	\$ 720,735

The majority of the interfund balances due to the Nonmajor Governmental Funds from the General Fund, Medicaid, and the Nonmajor Governmental Funds consist of routine short term borrowings of cash between funds of individual agencies.

The Education Trust Fund has the most interfund payables, \$444,044,000 in total. Of that amount, \$437,391,000 is due to repay the Education Trust Fund Rainy Day Account within the Alabama Trust Fund which was used to alleviate a budget shortfall. Pursuant to Amendment No. 803 *Constitution of Alabama 1901*, the Legislature must provide for the replenishment of the account within six years after withdrawal.

The General Fund has the second most interfund payables, \$168,106,000 in total. Of that amount, \$161,566,000 is due to repay the General Fund Rainy Day Account within the Alabama Trust Fund which was used to alleviate a budget shortfall. Pursuant to Amendment No. 803 *Constitution of Alabama 1901*, the Legislature must provide for the replenishment of the account within ten years after withdrawal.

Nonmajor Governmental Funds have the third most interfund payables, totaling \$46,470,000. Of that amount, \$5,625,000 is owed to Medicaid, \$19,169,000 is owed to other Nonmajor Governmental Funds, and \$17,685,000 is owed to Internal Service Funds for goods and services.

Medicaid owed \$7,606,000 to the Public Welfare Trust Fund and \$23,661,000 to Nonmajor Governmental Funds. Of the latter amount, \$12,608,000 is due to Public Health, \$1,355,000 is due to Youth Services, \$8,742,000 is due to Senior Services, and \$943,000 is due to Rehabilitation Services. The Alcoholic Beverage Control Board (ABC) has interfund payables totaling \$18,596,000. ABC owed \$11,290,000 to the General Fund and \$6,204,000 to the Public Welfare Trust Fund. ABC is required by

STATE OF ALABAMA

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law to distribute profits and certain taxes collected to those two funds, local governments, and the Mental Health component unit. The law also allows ABC to delay distribution for 120 days in order to maintain sufficient operating cash.

The Alabama Trust Fund has the largest interfund receivable, the \$437,391,000 due from the Education Trust Fund and \$161,566,000 due from the General Fund as discussed previously. Nonmajor Governmental Funds rank second in receivables, at \$57,751,000. The Internal Service Funds rank third in receivables, at \$24,676,000. Risk Management, an Internal Service Fund, financed several buildings and building renovations for various Nonmajor Governmental Funds in the amount of \$9,286,000 for a period of longer than one year. The remaining Internal Service Fund receivable of \$15,390,000 generally represent normal billings for services rendered or goods sold to the other funds late in the fiscal year which will be paid early in the subsequent fiscal year. The Public Welfare Trust Fund ranks fourth in receivables, at \$14,410,000. Majority of that amount is due from Medicaid and ABC as discussed above.

B. Balances with Component Units

Balances owed by state funds to component units at September 30, 2010, consisted of (amounts in thousands):

PAYABLE BY	PAYABLE TO				
	Public School & College Authority	Mental Health	State Employees' Health Insurance	Nonmajor Component Units	Total
General Fund	\$ 0	\$ 9	\$ 183	\$ -	\$ 192
Education Trust Fund	-	7	11	1	19
Medicaid Fund	-	37,767	-	5	37,772
Public Road and Bridge Fund	-	-	10	-	10
Public Welfare Trust Fund	-	315	66	-	381
Nonmajor Governmental	15,491	133,056	144	865	149,556
Alcoholic Beverage Control Board	-	2,424	2	-	2,426
Nonmajor Enterprise	-	-	26	-	26
Internal Service Funds	-	22	306	-	328
Totals	<u>\$ 15,491</u>	<u>\$ 173,600</u>	<u>\$ 748</u>	<u>\$ 871</u>	<u>\$ 190,710</u>

The largest payable of \$133,056,000 is a short term payable owed by Nonmajor Governmental Funds to Mental Health for tax revenues pledged by the primary government to support Mental Health programs. The second largest short term payable was \$37,767,000 owed by Medicaid to the Mental Health component unit, primarily for funding Medicaid eligible patients in the care of Mental Health. In addition to the above balances with component units, the financial statements report Water Pollution Control Authority has a long term receivable of \$6,032,000 that is due from the primary government as a whole.

Balances owed to state funds by component units at September 30, 2010 consisted of (amounts in thousands):

PAYABLE TO	PAYABLE FROM					Total
	Mental Health	Water Pollution Control Authority	Public Education Employees' Health Insur	State Employees' Health Insurance	Nonmajor Component Units	
General Fund	\$ 0	\$ 0	\$ 0	\$ 5	\$ 0	\$ 5
Education Trust Fund				2	-	2
Medicaid	8,241	-	-	-	-	8,241
Public Road and Bridge Fund				1	-	1
Public Welfare Trust Fund	544	-	-	2	-	546
Nonmajor Governmental	233	406	419	436	1,415	2,909
Alcoholic Beverage Control Board						-
Internal Service Funds	317	-	1	104	1,476	1,898
Totals	<u>\$ 9,335</u>	<u>\$ 406</u>	<u>\$ 420</u>	<u>\$ 550</u>	<u>\$ 2,891</u>	<u>\$ 13,602</u>

The component units of the State owe \$13,602,000 to various funds of the State. The largest amount, \$8,241,000, is owed by Mental Health to Medicaid to match federal dollars. Risk Management, an Internal Service Fund, financed building renovations for Crime Victims Compensation, a Nonmajor Component Unit in the amount of \$1,312,000 for a period of longer than one year. The remaining Internal Service Fund receivable of \$586,000 is owed for routine billings of services rendered. Nonmajor Component Units owe Nonmajor Governmental Funds \$1,415,000. Of that amount, \$1,158,000 is owed by the Drinking Water Finance Authority to the Department of Environmental Management primarily for payroll costs.

C. Balances Between Component Units

Balances owed between component units at September 30, 2010 consisted of (amounts in thousands):

PAYABLE TO	PAYABLE FROM				Total
	Mental Health	State Employees' Health Insurance	University of Alabama	Nonmajor Component Units	
Mental Health	\$ 0	\$ 41	\$ 71,248	\$ 0	\$ 71,289
State Employee's Health Insurance	3	-	-	1	4
Totals	<u>\$ 3</u>	<u>\$ 41</u>	<u>\$ 71,248</u>	<u>\$ 1</u>	<u>\$ 71,293</u>

The component units of the State had interfund payables due to other component units totaling \$71,293,000. The largest amount, \$71,248,000, is owed by the University of Alabama to Mental Health for the purchase of the Bryce Hospital property. State Employees' Health Insurance owes Mental Health \$41,000 in refunds.

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For the Fiscal Year Ended September 30, 2010

D. Interfund Transfers

Transfers among the various funds of the primary government during fiscal year 2010 were as follows (amounts in thousands):

TRANSFERS OUT	TRANSFERS IN												Total
	General Fund	Edu- cation Trust Fund	Ala Trust Fund	Medicaid Fund	Public Road & Bridge Fund	Public Welfare Trust Fund	Non- major Govern- mental	Unemploy- ment Compen- sation	State Port Auth	Alabama College System	Alcoholic Beverage Control Board	Internal Service Funds	
General Fund	\$ 0	\$ 0	\$ 0	\$ 14,777	\$ 0	\$ 97,897	\$ 110,218	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,900	\$ 224,792
Education													
Trust Fund	-	-	-	6,694	-	12,673	21,827	-	-	338,945	-	1,119	381,258
Alabama Trust	64,387	-	-	-	-	-	139,040	-	-	-	-	-	203,427
Medicaid	-	-	-	-	-	64,604	236,073	-	-	-	-	-	300,677
Public Road & Bridge Fund	-	-	-	-	-	-	58,764	-	53	-	-	-	58,817
Public Welfare													
Trust Fund	-	-	-	24,741	102	-	48,579	-	-	-	-	-	73,422
Nonmajor													
Governmental	31,697	382	6,104	67,740	837	1,385	206,202	5,755		22,566	379	7,350	350,397
Unemployment													
Compensation	-	-	-	-	-	-	9,366	-	-	-	-	-	9,366
State Port Auth	-	-	-	-	-	-	54	-	-	-	-	-	54
Alcoholic													
Beverage													
Control Board	12,766	-	-	-	-	430	245	-	-	-	-	-	13,441
Nonmajor													
Enterprise	-	-	-	-	-	-	9,687	-	-	-	-	-	9,687
Internal													
Service Funds	-	-	-	-	6	-	149	-	-	-	-	9	164
Fiduciary Funds	-	-	-	-	-	-	52	-	-	-	-	-	52
Totals	\$ 108,850	\$ 382	\$ 6,104	\$ 113,952	\$ 945	\$ 176,989	\$ 840,256	\$ 5,755	\$ 53	\$ 361,511	\$ 379	\$ 10,378	\$ 1,625,554

Transfers are often made between funds as required by the legislature in the appropriation acts as well as by a variety of existing statutes. Of the \$224,792,000 transferred to other funds by the General Fund, \$204,913,000 was transferred in compliance with the appropriation acts. Of that amount, \$97,897,000 was transferred to the Public Welfare Trust Fund, \$61,307,000 was transferred to various Nonmajor Governmental Funds and \$36,420,000 was transferred to the Department of Public Health. The remaining General Fund transfers were made in small amounts to comply with a variety of statutes.

Of the \$381,258,000 transferred out of the Education Trust Fund, the appropriation acts as adjusted by proration required the transfer of \$369,194,000 to other funds. Of that amount, \$338,945,000 was transferred to supplement the operations of the Alabama College System. The appropriation acts also mandated that the Internal Service Funds receive \$1,119,000 to fund telephone and computer services and the Public Welfare Trust Fund received \$12,673,000. The remaining Education Trust Fund transfers were made in small amounts to comply with a variety of statutes.

The Alcoholic Beverage Control Board transferred \$12,766,000 to the General Fund and \$430,000 to the Public Welfare Trust Fund, which represents those funds' statutorily mandated share of the Board's profits.

The Alabama Trust Fund, in compliance with amendments to the *Constitution of Alabama of 1901*, is required to transfer to other funds a substantial portion of its investment earnings as well as a portion of new income from offshore oil and gas rights. In compliance with these amendments, the General Fund received \$64,387,000, and the Nonmajor Governmental Funds received \$139,040,000. Within the Nonmajor Governmental Funds, the Forever Wild Land Trust Fund received \$10,140,000, the County Government Capital Improvement Fund received \$12,948,000, the Municipal Government Capital Improvement Fund received \$12,948,000, the Alabama Capital Improvement Trust Fund received \$49,313,000, the County and Municipal Capital Improvement Trust Fund received \$52,720,000, and the Senior Services Trust Fund received \$971,000.

Medicaid transferred out \$64,604,000 to the Public Welfare Trust Fund, and \$236,073,000 to Nonmajor Governmental Funds to fund services provided to Medicaid recipients. The Departments of Public Health, Youth Services, Senior Services, and Rehabilitation Services were the Nonmajor Governmental Fund recipients. The financial statements show \$12,000 more transfers in for Internal Service Funds because transfers of capital assets were made from general government capital assets to Internal Service Funds.

NOTE 6 - RISK MANAGEMENT

The State manages risk through risk control and risk financing to minimize the adverse effects of certain types of losses. Risk financing includes self-insurance through several different funds. The State Insurance Fund provides coverage for state buildings and contents against fire and casualty losses. The General Liability Trust Fund insures state employees against the risk of loss from employment-related liability claims. The State Employee Injury Compensation Trust Fund was created by the 1994 legislature to provide benefits to eligible state employees for job-incurred injury. The State Insurance Fund, the General Liability Trust Fund, and the State Employee Injury Compensation Trust Fund are administered by the Division of Risk Management of the Department of Finance.

There was no significant reduction in insurance coverage by the three Division of Risk Management funds from the prior year. These funds do not have acquisition costs; therefore, no cost is amortized for the period. The funds use the accrual basis of accounting for reporting purposes. As required by GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and External Investment Pools," most investments are recorded at fair value. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Estimated claims liabilities are calculated by the plans' actuary based on prior claims data for the General Liability Trust Fund and State Employee Injury Compensation Trust Fund. For the State Insurance Fund, estimated claims liabilities are based on management's judgment. Non-incremental claims adjustment expenses have not been included as part of the liability for any of the funds.

The separately issued financial report of the Division of Risk Management contains additional note disclosures and supplementary information regarding claims development and liabilities.

For the Fiscal Year Ended September 30, 2010

A. The State Insurance Fund

The State Insurance Fund (SIF) was established in 1923 and is under the *Code of Alabama 1975*, Section 41-15-1 for the purpose of insuring direct physical loss on buildings and contents in which title in whole or in part is vested in the State of Alabama or any of its agencies or institutions or in which funds provided by the State have been used for the purchases of land, construction of buildings, purchase or maintenance of any equipment, machinery, furniture, fixtures or supplies in such buildings and public school buildings together with the contents of all such buildings. All covered property shall be insured for no more than its replacement cost and shall be insured for no less than 80 percent of its actual cash value. Ten percent of actual cash value, salvage value, is used for property that is normally uninsurable. City boards of education may insure school buildings and property either in the State Insurance Fund or with an insurance company, whichever in the opinion of such board provides the best coverage for such school buildings and property. The principles of private industry insurance companies are utilized to establish rates, premium discounts, and experience credits to result in equitable premiums charged to policyholders. Excess insurance and reinsurance is acquired to assure the solvency of the fund.

Losses are recorded as current liabilities and expenses in the year reported. IBNR recognizes losses that have occurred but have not yet been reported. This liability and expense is determined by a professional actuary. The SIF has a \$10,000,000 cumulative loss annual deductible and a \$3,500,000 specific loss deductible for all perils except named wind storms, and a \$10,000,000 specific loss deductible for named wind storms. Excess insurance covers claims exceeding the deductible with a \$1,000,000,000 limit. Payments received in fiscal years 2010, 2009, and 2008 for settlements in excess of deductibles totaled \$2,273,9751, \$14,166,000, and \$14,655,000 respectively.

The following table presents the changes in claims liabilities for the past two years:

(Amounts in Thousands)	September 30,	
	2010	2009
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 12,302	\$ 7,871
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	6,538	12,113
Increase (Decrease) in provision for insured events of prior years	3,804	3,781
Total incurred claims and adjustment expenses	10,342	15,894
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(6,310)	(2,980)
Claims and adjustment expenses attributable to insured events of prior years	(6,242)	(8,483)
Total payments	(12,552)	(11,463)
Reported claims payable and estimated claims incurred but not reported at end of year	<u>\$ 10,092</u>	<u>\$ 12,302</u>

A schedule of ten-year loss development information for the State Insurance Fund is in the Required Supplementary Information section of the CAFR.

B. General Liability Trust Fund

The General Liability Trust Fund (GLTF) was established in 1984 to protect state employees from personal financial liability resulting from lawsuits that are based on alleged negligence while acting within the line and scope of state employment. Claims are investigated and defended through the Office of the Attorney General. Auto liability is fully reinsured and the re-insurer, American Southern Insurance Company, handles all claims. The GLTF is managed much like a commercial insurance company, with exposure evaluated and commensurate premiums assigned to state agencies. Investment activities are an essential part of the General Liability Trust Fund's ability to maintain lower-cost employee liability coverage. Funds in excess of those needed for immediate operations are invested to maximize return and keep premiums down.

Losses are recorded as current liabilities and expenses in the year reported. IBNR recognizes losses that have occurred but have not yet been reported. This liability and expense is determined by a professional actuary. Excess insurance was not renewed in April 2002, so the GLTF is currently without excess coverage. Payments received in fiscal years 2009 and 2010 for settlements in excess of deductibles for old claims (prior to April 2002) totaled \$2,833,932 and \$0, respectively.

The following table presents the changes in claims liabilities for the past two years:

(Amounts in Thousands)	September 30,	
	2010	2009
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 28,721	\$ 27,416
Incurring claims and adjustment expenses:		
Provision for insured events of the current year	668	4,969
Increase (Decrease) in provision for insured events of prior years	4,643	3,996
Total incurred claims and adjustment expenses	5,311	8,965
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(654)	(1,376)
Claims and adjustment expenses attributable to insured events of prior years	(3,651)	(6,284)
Total payments	(4,305)	(7,660)
Reported claims payable and estimated claims incurred but not reported at end of year	\$ 29,727	\$ 28,721

STATE OF ALABAMA**NOTES TO THE FINANCIAL STATEMENTS**

For the Fiscal Year Ended September 30, 2010

C. State Employee Injury Compensation Trust Fund

The State Employee Injury Compensation Trust Fund (SEICTF) was created by the legislature on October 1, 1994. Its purpose is to provide benefits to eligible state employees for job-incurred injury. Benefits under SEICTF are administered by the Department of Finance, Division of Risk Management in accordance with the Alabama Administrative Code and include all reasonable medical expenses arising from a job-incurred injury, lost wages (including benefits for time lost from the job), and benefits to dependents of employees who are fatally injured on the job. Specifically excluded from coverage are employees of the State Port Authority, educational institutions, and local boards of education. A key element in assuring effective and efficient operation of SEICTF was the creation of a statewide medical provider network with a focus on professionals who are experts in treating occupational injury.

Losses are recorded as current liabilities and expenses in the year reported. IBNR recognizes losses that have occurred but have not been reported. This liability and expense is determined by a professional actuary.

The following table presents the changes in claims liabilities for the past two years:

(Amounts in Thousands)	September 30,	
	2010	2009
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 27,281	\$ 25,767
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	4,304	2,376
Increase (Decrease) in provision for insured events of prior years	4,126	5,588
Total incurred claims and adjustment expenses	8,430	7,964
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(1,124)	(1,132)
Claims and adjustment expenses attributable to insured events of prior years	(5,327)	(5,318)
Total payments	(6,451)	(6,450)
Reported claims payable and estimated claims incurred but not reported at end of year	\$ 29,260	\$ 27,281

The Department of Transportation finances its own risk for state employee injury compensation. This table includes the changes in claims liabilities for the Department of Transportation as well as Risk Management. The claims incurred but not reported at the beginning of the year for Transportation totaled \$8,894,000, and total claims payments were \$1,892,121 in 2010. The Department of Transportation had \$9,795,787 in claims liabilities at the end of the year.

D. State Employees' Insurance Plan

The State Employees' Insurance Plan (SEIP) was established in 1965 by Alabama Act No. 833 to provide health insurance benefits for state employees. The SEIP is administered by the State Employees' Insurance Board (SEIB). The monthly premiums for employee and dependent coverage are determined annually and are set at a rate necessary to provide sufficient funds to pay all claims and reasonable expenses of administering the plans. The State pays a monthly premium for each employee and the employee pays the established dependent premium. The SEIB establishes claims liabilities based on estimates of the ultimate cost of claims (including future retroactive claims adjustments) that have been reported but not settled, and of estimated claims that have been incurred but not reported. Because actual claims liabilities are affected by complex changing factors such as inflation, medical technology, and changes in legal doctrines, the process used in computing claims liabilities does not result in an exact amount. Actual claims costs incurred may vary from estimated claims liabilities depending on the similarities in the nature and frequency of the claims between current and prior years. Adjustments of the estimated claims liabilities based on actual results are charged or credited to expense in the periods in which such adjustments are determined.

The SEIB also administers a local government health insurance plan (LGHIP) in the same manner as the SEIP. The following table represents changes in those aggregate liabilities for SEIB during the years ended September 30 (approximately 59% of claim liabilities are related to the SEIP and the remainder to the LGHIP):

(Amounts in Thousands)

	September 30,	
	2010	2009
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 48,982	\$ 37,102
Incurred claims and adjustment expenses:		
Provision for insured claims of the current year	429,067	405,747
Adjustment to estimated claims incurred but not reported at end of year	726	8,804
Total incurred claims and adjustment expenses	429,793	414,551
Payments:		
Claims and adjustment expenses attributable to insured claims of the current year	(391,773)	(372,651)
Claims and adjustment expenses attributable to insured claims of prior years	(31,552)	(30,020)
Total payments	(423,325)	(402,671)
Reported claims payable and estimated claims incurred but not reported at end of year	<u>\$ 55,450</u>	<u>\$ 48,982</u>

At year-end, unpaid claims liabilities are computed using the gross method without discounting the accrued claims payable. The separately issued financial report contains note disclosures and supplementary information regarding claims development.

For the Fiscal Year Ended September 30, 2010

E. Public Education Employees' Health Insurance

The Public Education Employees' Health Insurance Fund (PEEHIF) was established in 1983 by the provisions of *Act 83-455* to provide a uniform plan of health insurance for current and retired employees of public educational institutions and to provide a method of funding the benefits related to the plan. The plan is administered by the Public Education Employees' Health Insurance Board (PEEHIB).

The State contributes a specified amount monthly to each respective participating school system. Each participating school system must then pay the employer rate to the PEEHIF each month. That rate was \$752 per participant for 2010 and 2009. In addition to the employer payments each month, the employee pays certain premium amounts. PEEHIB established claims liabilities based on the actual cost of claims reported but not settled, and estimates of claims that have been incurred but not reported. Because actual claims liabilities are affected by complex changing factors such as inflation, medical technology, and changes in legal doctrines, the process used in computing claims liabilities does not result in an exact amount. Actual claims costs ultimately incurred may vary from the estimated claims liabilities depending on the similarities in the nature and frequency of the claims between current and prior years. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. Note that \$419,000 of unpaid claims at year-end is classified as due to the primary government.

The following table presents the changes in claims liabilities during 2010 and 2009:

(Amounts in Thousands)	September 30,	
	2010	2009
Unpaid claims and claim adjustment expense at beginning of year	\$ 78,547	\$ 69,594
Incurring claims and adjustment expenses:		
Provision for insured events of the current year	790,024	775,205
Increase (Decrease) in provision for insured events of prior years	(2,808)	(39)
Total incurred claims and adjustment expenses	787,216	775,166
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(713,231)	(696,658)
Claims and adjustment expenses attributable to insured events of prior years	(75,739)	(69,555)
Total payments	(788,970)	(766,213)
Total unpaid claims and adjustment expenses at end of year	<u>\$ 76,793</u>	<u>\$ 78,547</u>

The separately issued financial report contains additional note disclosures and supplementary information regarding claims development.

F. Alabama Health Insurance Plan

The Alabama Health Insurance Plan (AHIP) was established to provide health insurance coverage to eligible individuals as an alternative to federal oversight required in the Health Insurance Portability and Accountability Act of 1996. AHIP was established in 1997 under Regulation 115 pursuant to Act 97-713, codified as Section 27-52-1 in the *Code of Alabama 1975*, and is governed by an eight member Board of Directors. The plan provides major medical benefits limited to \$1,000,000 for the lifetime of a participant. The plan provides that participants pay monthly premiums for health insurance coverage. Coverage is also available for eligible dependents of participants. Premiums are determined annually and are set at a rate necessary to provide sufficient funds to pay all claims and reasonable expenses of administering the plan.

Regulation No. 115 authorizes the Plan to recoup losses by assessing participating insurers based on their health insurance premiums written in the state for any year in which the Plan incurs a deficit. Assessments in excess of actual losses are to be held in interest and used by the board to offset future losses or to reduce future assessments. AHIP obtained funding from assessments totaling \$3,901,000 and \$3,829,000 in 2010 and 2009, respectively.

AHIP established claims liabilities based on estimates of the ultimate cost of claims (including future retroactive claims adjustments) that have been reported but not settled and of estimated claims that have been incurred but not reported. The estimation of claims costs depends on many factors including historical loss experience. Adjustments of the estimated claims liabilities based on actual results are charged or credited to expense in the periods in which such adjustments are determined.

The following table presents the changes in claims liabilities during the years ended September 30, 2010 and 2009:

(Amounts in Thousands)	September 30,	
	2010	2009
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 3,503	\$ 3,508
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	21,194	21,643
Increase (Decrease) in provision for insured events of prior years	173	102
Total incurred claims and adjustment expenses	21,367	21,745
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(19,374)	(19,912)
Claims and adjustment expenses attributable to insured events of prior years	(1,796)	(1,838)
Total payments	(21,170)	(21,750)
Reported claims payable and estimated claims incurred but not reported at end of year	\$ 3,700	\$ 3,503

At year-end, unpaid claims liabilities are computed using the gross method without discounting the accrued claims payable.

The separately issued financial report contains additional note disclosures and supplementary information regarding claims development.

STATE OF ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2010

G. Alabama State Port Authority

The Alabama State Port Authority is partially self-insured with respect to workers' compensation claims. Each claim for a loss in excess of the \$500,000 self-insured retention is covered without a policy limit. The liability for uninsured claims includes an estimated amount for claims that have been incurred but have not been reported. The following represents changes in those aggregate liabilities for the Authority during the years ended September 30, 2010 and 2009:

(Amounts in Thousands)	September 30,	
	2010	2009
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 2,334	\$ 1,815
Provision for claims	1,024	1,283
Total payments	(598)	(764)
Reported claims payable and estimated claims payable incurred but not reported at end of year	<u>\$ 2,760</u>	<u>\$ 2,334</u>

The separately issued financial report contains additional note disclosures and supplementary information regarding claims development.

NOTE 7 - RETIREMENT PLANS

A. Retirement Systems of Alabama

The Retirement Systems of Alabama (RSA) administers the following three retirement programs for the benefit of state employees and public education employees: Teachers' Retirement System, Employees' Retirement System, and Judicial Retirement Fund.

1. Plan Descriptions

The Teachers' Retirement System of Alabama (TRS) is a cost-sharing multiple-employer defined benefit pension plan, established as of September 15, 1939, under the provisions of the 1939 *Alabama Acts* 419. The TRS provides retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The Board of Control has responsibility for the general administration and operation of the TRS.

The Employees' Retirement System of Alabama (ERS) is an agent multiple-employer defined benefit pension plan established as of October 1, 1945, under the provisions of the 1945 *Alabama Acts* 515. The ERS provides retirement allowances and other specified benefits for state employees, state police, and on an elective basis, to all cities, counties, towns, and quasi-public organizations. The Board of Control is responsible for the general administration and operation of the ERS.

The Judicial Retirement Fund (JRF) is a cost-sharing multiple-employer defined benefit pension plan, established under the 1973 *Alabama Acts* 1163. The JRF provides retirement allowances and other specified benefits for any Justice of the Supreme Court of Alabama, Judge of the Court of Civil Appeals, Judge of the Court of Criminal Appeals, Judge of the Circuit Court, or office holder of any newly created judicial office receiving compensation from the State Treasury. Act Number 1205 of the legislature of 1975 supplemented the provisions of Act Number 1163 and enlarged the scope and coverage of the JRF to include District and Probate Judges. The Board of Control of the ERS administers and operates the JRF.

The TRS, ERS, and JRF provide retirement benefits as well as death and disability benefits as established by State law. Changes to benefits, including ad hoc cost of living adjustments, must be established by statute. Benefits for TRS and ERS members vest after 10 years of credited service. Teachers and state employees who retire after age 60 (52 for state police) with 10 years of credited service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Service retirement benefits are calculated by two methods with the member receiving payment under the method which yields the highest monthly benefit: (1) minimum guaranteed, or (2) formula. Under the formula method, members of TRS and ERS (except state police) are allowed 2.0125 percent of their final average salary (highest 3 of the last 10 years) for each year of

service. State police are allowed 2.875 percent for each year of state police service in computing the formula method. Disability retirement benefits are calculated in the same manner.

JRF benefits vest from five to eighteen years. Except for justices or judges who were either disabled, elected prior to July 30, 1979, or have at least 25 years of credited service, no justice or judge shall be eligible to receive judicial service retirement pay prior to attaining sixty years of age. Service retirement benefits for justices and judges are dependent upon the particular office held in the judicial branch of government. A retirement benefit is payable upon the request of any member who has: (1) 25 years of credited service (regardless of age), (2) completed 12 years of credited service and has attained age 65, (3) completed 15 years of credited service and whose age plus service equals or exceeds 77, (4) completed at least 18 years of credited service or three full terms as a judge or justice and has attained age 65 (5) completed 10 years of credited service and has attained age 70, (6) been elected prior to July 30, 1979 and has 18 years of service (regardless of age). A member eligible to retire who has not requested his retirement benefit to commence at the end of the term in which his seventieth birthday occurs is entitled only to the refund of his contributions (except for members with at least 25 years of credited service). The service retirement benefit for circuit, appellate, and probate judges is 75% of the member's salary at the time of separation from service. The service retirement benefit for a district judge is 75% of the position's salary immediately prior to retirement.

A pre-retirement death benefit is offered in which the account is credited with TRS and ERS employer contributions and investment income on such funds. The pre-retirement death benefit (group term life insurance) is paid in addition to the return of member contributions upon the death of an active TRS or ERS member who has completed at least one year of active membership in the system and whose date of death was within 180 days of such member's last date of actual service. However, a surviving spouse beneficiary of a deceased member who was eligible for service retirement may elect a survivor allowance in lieu of this benefit. The pre-retirement death benefit is equal to the annual earnable compensation of the member as reported to the system for the preceding year ending June 30, for TRS and September 30, for ERS. There is no pre-retirement death benefit available for JRF members.

When a member withdraws from service prior to becoming vested, the member's accumulated contributions and a portion of accumulated interest credited to the Annuity Savings account are returned to the member. The portion of accumulated interest, which by law is not payable to the member, is transferred to the Expense Fund.

RSA issued a stand-alone financial report that includes financial statements and required supplementary information (including the six-year trend) for the year ended September 30, 2010. Copies may be obtained by writing to:

The Retirement Systems of Alabama
P.O. Box 302150
201 South Union Street
Montgomery, AL 36130-2150

STATE OF ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2010

State Law established the contribution requirements and must be amended by state statute. The law provides that the Boards of Control engage an actuary to prepare an annual valuation of the assets and liabilities of the various reserve funds.

At September 30, 2010, the number of participating employers in each system was as follows:

	<u>TRS</u>	<u>ERS</u>	<u>JRF</u>
Cities	-	287	-
Counties	-	65	67
Other Public Entities	-	517	-
Universities	13	-	-
Post-Secondary Institutions	30	-	-
City & County Boards of Education	132	-	-
State Agencies & Other	32	1	1
Total	<u>207</u>	<u>870</u>	<u>68</u>

2. Summary of Significant Accounting Policies

a. Basis of Accounting

The TRS, ERS, and JRF financial statements are prepared using the accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to plan requirements. The financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board. Under these requirements, the TRS, ERS, and JRF are considered component units of the State of Alabama.

b. Investments

The Boards of Control of the Systems have the responsibility and authority to invest and reinvest available funds, through the Secretary-Treasurer and Investment Committee, in bonds, mortgage-backed securities, common and preferred stock, or other investment vehicles with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use. All plan assets are carried at fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Short-term investments are reported at cost, which approximates fair value. Mortgage-backed securities are reported based on future principal and interest payments discounted at the prevailing interest rate for similar instruments. The fair value of real estate investments is based on independent appraisals.

As of September 30, 2010, the TRS and ERS owned debt and equity securities of Raycom Media Corporation which represented approximately 6.15 percent and 6.86 percent, respectively, of the TRS and ERS investments and Goldman Sachs which represented approximately 6.63% and 6.06%, respectively, of the TRS and ERS investments.

3. Contributions Required and Contributions Made

The actuary has computed, as of the date of the latest available actuarial valuations (September 30, 2009 for TRS, ERS and JRF), the estimated present value of benefits payable to retired members, beneficiaries and active members. The actuarial valuations for the TRS and ERS are prepared using the entry age method, while the JRF valuation utilizes the projected unit credit method. The present value of all expected benefits payable from each system to the present group of members and beneficiaries is calculated by adding the present value of the expected benefits payable to the active members to the present value of the expected future payments to retired members and beneficiaries.

As required by the Alabama State Law, the TRS, ERS, and JRF provide for employer contributions at actuarially determined rates (expressed as percentages of annual covered payroll) that accumulate sufficient assets to pay benefits when due. The employer contributions required to support the benefits of each system are determined following a level funding approach and consist of a normal contribution, an accrued liability contribution, and a portion to finance administrative costs.

For the TRS and ERS, the normal contribution is determined using the "entry age normal" method. Under this method, a calculation is made to determine the uniform and constant percentage rate of the employer contributions which, if applied to the compensation of the average new member during the entire period of the member's anticipated covered service, would be required

in addition to the contributions of the member to meet the cost of all benefits payable on the member's behalf. The amortization method is level percent open for the September 30, 2009 actuarial valuations for the TRS and the ERS. The remaining amortization period is 30 years for the TRS, ERS-state employees, and ERS-state policemen.

For the JRF, the normal contribution is determined using the "projected accrued benefit" (unit-credit) method. Under this method, the benefits of each individual included in an actuarial valuation are allocated by a consistent formula to valuation years. The actuarial gains (losses), as they occur, generally reduce (increase) the unfunded actuarial accrued liability. The amortization method is level percent open for the September 30, 2009 actuarial valuation. The remaining amortization period is 30 years.

The required contribution rate of active plan members for TRS and ERS (excluding state policemen, and certified firefighters, police officers and correctional officers) is 5 percent of earnable compensation. State policemen are required to contribute 10 percent of earnable compensation. JRF members and certified firefighter, police officer, and correctional officer members of the TRS and ERS are required to contribute 6 percent of earnable compensation. DROP participants continue to contribute during the DROP period, but receive a refund of these contributions and a portion of the interest upon retirement.

For fiscal year 2010, the required contribution rate of the employer for ERS (state employees) was 11.94 percent and the rate for TRS was 12.51 percent. The employer contribution rate for ERS state policemen and JRF was 30.57 percent and 24.20 percent, respectively.

a. TRS and JRF

A schedule of Annual Required Contributions (ARC) and the percentage contributed (%) for the TRS and JRF (Cost-sharing plans) is shown below (primary government is denoted by PG and discretely presented component units are denoted DPCU):

<u>System</u>	<u>Annual Required Contribution (ARC) *</u>		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
TRS			
Primary Government	\$ 55,361	\$ 54,042	\$ 51,638
Major Discretely Presented Component Units (DPCU)			
Auburn University	39,952	38,698	36,742
University of South Alabama	32,259	32,252	30,252
University of Alabama	134,517	128,725	123,671
JRF			
Primary Government	10,814	10,326	9,880

* Amounts in Thousands. In all instances, 100% of the ARC was contributed.

State Employer Segment of ERS

The funded status of the State employer segment of ERS as of the latest actuarial valuation is as follows:

(Amounts in thousands)	<u>Employees' Retirement System</u>	
	<u>State Employees and State Policemen</u>	
Actuarial Valuation Date	9/30/2009	
Actuarial Accrued Liability (AAL)	\$	7,297,454
Actuarial Value of Assets		5,163,233
Unfunded Actuarial Accrued Liability (UAAL)	\$	2,134,221
Funded Ratio		70.8%
Covered Payroll	\$	1,563,862
UAAL as a Percentage of Covered Payroll		136.5%

STATE OF ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2010

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Contributions in 2010 for agent employer ERS were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed at September 30, 2007.

Actuarial Methods for ERS

Valuation Date: September 30, 2007
Actuarial Cost Method: Entry Age
Asset Valuation Method: 5 Yr Smoothed Market
Amortization Method: Level Percent Open
Remaining Amortization Period: State Employees 20 years, State Policemen 20 years

Actuarial Assumptions for ERS

Investment Rate of Return: 8% *
Projected Salary Increases: 4.61%-7.75% *
Cost of Living Increases: None

*Includes inflation at 4.5%

The annual pension cost for the State employer segment of ERS was as follows:

Three-Year Trend Information

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2008	\$ 160,909,372	100	0
2009	191,837,980	100	0
2010	191,182,726	100	0

B. Other Pension Plans

The State Port Authority administers two single-employer pension plans, the Hourly Plan and the Terminal Railway Plan, for a small number of hourly workers and railway employees. The Peace Officers Annuity and Benefit Fund is a cost-sharing multiple-employer defined benefit pension plan that provides a small additional pension benefit to state and local peace officers beyond that which is paid by the Employees' Retirement System. The Clerks and Registers Supernumerary Fund is a cost-sharing multiple-employer defined benefit pension plan that provides pension benefits to circuit clerks and registrars of courts. These pension plans are not material to the State.

NOTE 8 - DEFERRED COMPENSATION

The State offers employees the opportunity to participate in an optional deferred compensation plan created in accordance with Internal Revenue Service Code Section 457. The plan is available to all state employees and permits them to defer a portion of their salary until future years. The current value of the employee contributions may be withdrawn upon termination, retirement, death, or an unforeseeable emergency.

It is the opinion of the State's legal counsel that the State has no liability for losses under this plan but does have the duty of due care that would be required of an ordinary prudent investor.

The Public Employees' Individual Retirement Account Fund/Deferred Compensation Plan (RSA-1) is administered and operated by its Board of Control. All members of the Teachers' Retirement System of Alabama, Employees' Retirement System of

Alabama, Judicial Retirement Fund, and employees of employers eligible to participate in the Employees' Retirement System, are eligible to participate in this plan. At September 30, 2010, net assets of the plan totaled \$1,332,540,000.

State employees may also participate in a plan administered by Great-West Retirement Services. This plan is also a deferred compensation plan organized under IRC Section 457. The plan contract requires the assets to be held in trust for the benefit of plan participants. The State has no fiduciary responsibility for the assets and therefore does not include the plan in its reporting entity.

NOTE 9 - POSTEMPLOYMENT HEALTH BENEFITS

In addition to the pension benefits described in the Retirement Plans note, the State provides postretirement health care benefits, in accordance with *Code of Alabama 1975*, Section 36-29-10, to all retired state employees through the State Employees' Health Insurance Plan (SEHIP) and, in accordance with *Code of Alabama 1975*, Section 16-25A-17, to all retired employees of state educational institutions through the Public Education Employees' Health Insurance Plan (PEEHIP). The retiree portion of the SEHIP is accounted for through the Alabama Retired State Employees' Health Care Trust and the retiree portion of the PEEHIP is accounted for through the Alabama Retired State Employees' Health Care Trust (see plan description). Employees covered under these two plans who retire from active service and begin receiving monthly benefits from the Employees' Retirement System of Alabama or from the Teachers' Retirement System of Alabama may elect to continue coverage under the group insurance plan by consenting to have deducted from their monthly benefit payment the difference in the total cost of their insurance coverage and the portion authorized to be expended by the SEHIP or PEEHIP for coverage of such retired employees. The State Employees' Insurance Board administers SEHIP, and the Public Education Employees' Insurance Board administers PEEHIP.

In order to fund the ongoing costs of these other postemployment benefits (OPEB), the State has established two trust funds as described below to comply with GASB Statements 43 and 45.

A. Plan Descriptions

The Alabama Retired Education Employees' Health Care Trust is a multiple employer cost-sharing defined benefit health care plan established as an irrevocable trust in 2007 by Constitutional Amendment 798. As of the latest actuarial evaluation, there were 192 participating employers.

The Alabama Retired State Employees' Health Care Trust is a single employer defined benefit health care plan established as an irrevocable trust in 2007 by Constitutional Amendment 798.

The Public Education Employees' Health Insurance Board issued a stand-alone plan financial report for the Alabama Retired Education Employees' Health Care Trust that includes financial statements and detailed disclosures for the year ended September 30, 2010. A copy may be obtained by writing to:

The Public Education Employees' Health Insurance Board
P.O. Box 302150
201 South Union Street
Montgomery, AL 36130-2150

The State Employees' Insurance Board issued a stand-alone financial report that includes the Alabama Retired State Employees' Health Care Trust financial statements and detailed disclosures for the year ended September 30, 2010. A copy may be obtained by writing to:

State Employees' Insurance Board
P. O. Box 304900
201 South Union Street, Suite 200
Montgomery, AL 36130-4900

For the Fiscal Year Ended September 30, 2010

B. Summary of Significant Accounting Policies**1. Basis of Accounting**

Both Trusts are “other employee benefits trust funds” that operate under the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when earned, pursuant to plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

2. Investments

All plan assets are carried at fair value except short-term investments which are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Mortgage-backed securities are reported based on estimated future principal and interest payments discounted at the prevailing interest rate for similar instruments. Investments not traded on exchanges are valued based on the selling price of similar investments sold in the open market. In those instances where there are no similar investments sold in the open market, an appraisal is performed to determine the fair value of the investments.

C. Funding Policy

The cost of the teachers’ health care benefits is paid from the regular appropriations made to individual education entities. The retired employee allocation is funded through the active employee premium. Retirees who are eligible for Medicare benefits must pay \$1.14 per month for the Hospital/Medical coverage while those who are not eligible for Medicare must pay \$97.54 per month for the coverage. Additional premiums are paid for dependents. Optionally, the retirees may use this insurance allocation to purchase two plans of optional insurance offered by PEEHIP with no out-of-pocket cost. The Medicare Part D subsidy for fiscal year 2010 was \$27,959,472. Of this amount, \$1,193,738 was an on-behalf payment for the primary government of the State of Alabama and \$949,976 on-behalf payments of the major discretely presented component units of the State of Alabama. Most of the remaining amount was on-behalf payments for local school boards that are not part of the State’s reporting entity.

The State provides health care benefits for retired state employees through SEHIP. For retirees who retired prior to October 1, 2005, the State pays 100 percent of the premium for a retiree who is over 65 and eligible for Medicare. The State pays a portion of the premium for a retiree who is under 65. Under the SEHIP statute, the State contribution per month per retiree is funded on a pay-as-you-go basis through the active employee premiums each agency pays for its active employees. COBRA insurance is also available to state employees who terminate state service, but the employee is liable for the premiums. For retirees, who retire on or after October 1, 2005 except for disability, Act 2004-648 provides that the State contribution for retiree health insurance premiums shall be based on years of service. The State contribution to the health insurance premium shall be reduced by two percent for each year of service less than twenty-five and increased by two percent for each year of service over twenty-five. The retiree is responsible for the amount of contribution not covered by the State. Also, the State may make additional contributions. Additional funds were not contributed during fiscal year 2010. The Medicare Part D retiree drug subsidy for fiscal year 2010 was \$6,794,000.

1. Annual OPEB Cost and Net OPEB Obligation

Government Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, requires additional reporting and disclosures for OPEB plans.

The PEEHIP is a cost-sharing multiple-employer plan. Contribution requirements are determined by statute. In all instances, the state and its discretely presented component units paid 100% of the statutorily determined contribution requirements. Therefore, the State has no net OPEB obligation related to the PEEHIP.

The SEHIP is a single employer plan. The following OPEB amounts are for the SEHIP:

(Amounts in thousands)	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary</u>
Annual required contribution	\$ 192,489	\$ 17,129	\$ 1,658
Interest on net OPEB obligation	14,330	1,275	124
Adjustment to ARC	<u>(10,230)</u>	<u>(910)</u>	<u>(88)</u>
Annual OPEB cost	196,589	17,494	1,694
Contributions made	<u>(96,646)</u>	<u>(8,599)</u>	<u>(833)</u>
Increase in net OPEB obligation	99,943	8,895	861
Net OPEB obligation, beginning of year	<u>284,913</u>	<u>27,192</u>	<u>2,479</u>
Net OPEB obligation, end of year	<u>\$ 384,856</u>	<u>\$ 36,087</u>	<u>\$ 3,340</u>

Percentage of annual OPEB cost contributed: 49%

2. Funded Status and Funding Progress

The funded status of the plan for the retired state employees as of the most recent actuarial valuation dated September 30, 2009, was as follows:

(Amounts in thousands)	<u>Retired State Employees' Health Care Trust (SEHIP)</u>
Actuarial Valuation Date	09/30/2009
Actuarial Accrued Liability (AAL)	\$ 4,142,076
Actuarial Value of Assets	<u>88,588</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 4,053,488</u>
Funded Ratio	2%
Covered Payroll	\$ 1,607,097
UAAL as a Percentage of Covered Payroll	252.2%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

3. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five year period.

STATE OF ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2010

The actuarial methods and significant assumptions used to determine the ARC for fiscal year 2010 are as follows:

Actuarial Methods for Retired State Employees' Health Care Trust	
Valuation Date:	September 30, 2007
Actuarial Cost Method:	Projected Unit Credit
Asset Valuation Method:	Market Value of Assets
Amortization Method:	Level Percent of Pay
Remaining Amortization Period:	30 Years
Period Closed/Open:	Open

Actuarial Assumptions for Retired State Employees' Health Care Trust	
Investment Rate of Return:	5.00%
Medical Cost Trend Rate:	
Medicare Eligible	9.50%
Pre-Medicare	11.00%
Ultimate Trend Rate:	
Medicare Eligible	5.00%
Pre-Medicare	5.00%
Year of Ultimate Trend Rate:	2016
Dental Trend Rate:	5.00%

*Includes Inflation at 4.5%

The assumed investment rate of return reflects the fact that although, as of September 30, 2007, the Plan does not have assets in trust solely to provide benefits to retirees and their beneficiaries, a trust has been established along with a policy to make regular contributions representing a partial payment toward the ARC each year. If the Plan starts fully pre-funding benefits, the discount rate may be increased to reflect equity investment the fund may have after full pre-funding begins. This investment rate of return assumption is independent of the inflation assumption.

4. Trend Information

The following table details employer contributions to the Alabama Retired Education Employees' Health Care Trust:

(Amounts in Thousands)	Annual Required Contribution*		
	2010	2009	2008
Primary Government	\$ 17,284	\$ 15,033	\$ 15,758
Major Discretely Presented Component Units			
Auburn University	9,214	8,903	8,130
University of South Alabama	6,078	5,598	4,935
University of Alabama	25,573	24,302	22,317

* 100% of the statutorily required contributions were contributed.

The employer contributions and annual OPEB cost of the SEHIP is presented in the table below.

(Amounts in thousands)				
	Employer Contributions	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	\$ 137,498	\$ 343,668	40%	\$ 206,170
2009	105,967	214,381	49%	314,584
2010	106,078	215,777	49%	424,283

NOTE 10 - RELATED ORGANIZATIONS

The State's officials are responsible for appointing a majority of the members of the boards of other organizations, but the State's accountability for these organizations does not extend beyond making appointments. The State appoints the nine-member board of the Private Colleges and Universities Facilities Authority and a majority of the eleven member board of the Alabama Family Trust Corporation.

NOTE 11 - JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

A. Joint Ventures

The Tennessee-Tombigbee Waterway Development Authority is a joint venture created by a compact executed between the State of Alabama and the States of Mississippi, Tennessee, and Kentucky. Its purpose is to develop and promote a navigable waterway between the Tennessee and Tombigbee rivers and provide a nine foot deep navigable channel. The State of Alabama provided \$119,000 and \$135,000 to the Authority for fiscal year 2010 and fiscal year 2009, respectively. The fiscal year of the Tennessee-Tombigbee Waterway Development Authority ends on December 31. Key financial data for the Authority is shown below.

(Amounts in Thousands)

	<u>2010</u>	<u>2009 *</u>
Fund Balance	\$ 212	\$ 197
Revenues	337	388
Expenditures	322	364

*Revised

Complete financial statements for the Authority can be obtained at P. O. Drawer 671, Columbus, MS 39703.

B. Jointly Governed Organizations

The Historic Chattahoochee Commission is a jointly governed organization that was created by a compact executed between the State of Alabama and the State of Georgia. The Commission had \$339,000 in revenues in 2010.

NOTE 12 - RELATED PARTY TRANSACTIONS

The Montgomery Downtown Redevelopment Authority, a public corporation, issued \$65,200,000 of bonds in 1988 to construct the Gordon Persons office building. These bonds were partially refunded in 1992 with a new bond issue of \$66,150,000. The Series 1992 bonds were refunded in 2002 with a new bond issue of \$43,265,000. The bonds' final maturity is on October 1, 2013. Members of the board of directors of the Authority are appointed by officials of the City of Montgomery, but the Authority is not a part of the City's reporting entity and is therefore considered a separate "stand-alone government." The bonds issued constitute conduit debt obligations of the Authority, and are therefore reported as revenue bond debt of the State. The Authority has also issued conduit debt on behalf of other governments and third parties, none of which is reported in these financial statements. The State operates and maintains the building and has entered into an agreement with the Authority whereby the rental payments from state agencies occupying the building are paid to the Authority, which then uses the money to pay the bond principal and interest. The payments to the Authority are reported by the State as debt principal and interest expenditures.

These financial statements exclude certain foundations and other organizations affiliated with state colleges and universities. While the purpose of these foundations and associations is to operate exclusively for the benefit of the colleges and universities, such organizations do not constitute component units under the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "The Reporting Entity" and GASB Statement No. 39, an amendment to GASB 14. These are: the University of Alabama at Huntsville Eminent Scholar Foundation, the Alabama Engineering Foundation, the UAH Alumni Association, the UAH Athletic Association, the University of South Alabama Medical Science Foundation, the Alabama A & M Foundation, the North Alabama Center for Educational Excellence, the Alabama A&M Research Institute, the University of Alabama Birmingham

For the Fiscal Year Ended September 30, 2010

Educational Foundation (UABEF), the University of Alabama Health Services Foundation, P.C. (HSF), the University of Alabama Birmingham Health System, and the Valley Foundation.

The UABEF made contributions to the University of Alabama at Birmingham (UAB) of \$4,365,000 during the 2010 fiscal year. UABEF leases certain facilities to UAB with annual rental expense of approximately \$1,932,000 for 2010.

An affiliation agreement documents the relationship between HSF and UAB. The operating revenues of UAB include approximately \$39,668,000 of funding from HSF in 2010, which is used to support the educational and research activities of UAB.

UAB and HSF have entered into an agreement which established a common management group, the UAB Health System. The purpose of this agreement is to provide common management for their existing and future health care delivery operations. UAB contributed \$6,313,000 during 2010 to the UAB Health System Board.

The South Alabama Medical Science Foundation exists for the purpose of promoting education and research at the University of South Alabama. The Foundation reimburses the University for certain administrative expenses and other related support services. Total amounts received for such expenses were approximately \$1,128,000 for 2010.

NOTE 13 - CONTINGENCIES**A. Grants**

The State receives federal grants for specific purposes that are subject to review and audit by the grantor agencies. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes.

Federal grantor agencies from time to time review state records to determine whether the State has complied with the terms and conditions of grant agreements and federal regulations. Any disallowance resulting from a federal audit may become a liability of the State but cannot be reasonably estimated at this time. It is believed that any liability resulting from a determination of noncompliance will not materially affect the State's financial condition.

B. Tobacco Settlement

As a party to a successful multi-state legal settlement with the tobacco industry, the State received \$97.2 million in fiscal year 2010, \$116.6 million in fiscal year 2009, \$106.1 million in fiscal year 2008, \$99.0 million in fiscal year 2007, \$94.6 million in fiscal year 2006, \$101.9 million in fiscal year 2005, \$102.6 million in fiscal year 2004, \$118.6 million in 2003 and \$224.7 million in both 2002 and 2001. This settlement money is intended to compensate the State for smoking related health care costs incurred by various state programs. Because the exact amount of the future settlement amounts is not measurable, no receivable for these amounts is recorded in these financial statements.

C. Litigation

The State is a party to numerous legal proceedings that occur in the normal course of governmental operations, some of which involve potentially significant amounts. The lawsuits involving potentially significant amounts are described below. Other proceedings involving amounts that, when aggregated, have no material effect on the accompanying government-wide financial statements, may have an impact on the related individual state agencies and funds. The monetary impact, if any, of litigation resulting in adverse rulings is usually addressed in subsequent state budgets and modifications of state laws. Due to the uncertainty involving the ultimate outcome and amounts of the unresolved litigation described below, no provision for potential liability has been recorded in the accompanying financial statements.

Blaylock, et al. v. American Tobacco Co., et al., filed in the Circuit Court of Montgomery County is an arbitration proceeding concerning the Master Settlement Agreement (MSA) that was negotiated with the tobacco industry in 1998. The MSA was entered into as a settlement of litigation brought against the participating tobacco products manufacturers by the Attorney Generals of the signatory states to reimburse the states for health care expenses in treating their citizens affected by the use of tobacco products sold by the manufacturers. The MSA contains a provision that allows an adjustment to reduce the payments by

the tobacco industry if the MSA has been determined to be a significant factor in the loss of market share by the manufacturers. States will not be subject to a reduction in their payments if it is determined that they diligently enforced their escrow statutes. The 2003 payment has a potential adjustment of \$1.2 billion nationwide that could be applied to the states that are determined not to have diligently enforced their escrow statutes during 2003. The question of whether the state was diligent will be determined by an arbitration panel consisting of three retired Article III federal judges. The arbitration commenced in the fall of 2010 with hearings on preliminary matters and is currently ongoing. Alabama's potential share of the adjustment could be as much as \$100 million if Alabama is deemed to have not diligently enforced its escrow statutes during 2003. The states are attempting to work together in the negotiations and they are sharing in the preparations for the arbitration.

In March 2002 the Alabama Public School and College Authority (the "Authority") and JPMorgan Chase Bank ("JPMorgan") entered into a series of agreements (collectively, the "Swap Options") in connection with the Authority's Series 1998 Bonds, Series 1999-A Bonds, Series 1999-C Bonds and Series 1999-D Bonds (together, the "Authority Bonds"). The Swap Options were amended in 2003. Under the terms of the Swap Options the Authority received lump sum payments of approximately \$12.6 million, and JPMorgan was granted an option to require the Authority to enter into fixed rate payer swaps in connection with variable rate refundings of the Authority Bonds. JPMorgan gave notice of exercise of the first option in June 2008 and has since given notice of the exercise of each of the other options. From July 2008 through October 2008, prior to the exercise date for the first Swap Option, the Authority initiated discussions with JPMorgan about the Swap Options and raised concerns about the structure and legality of the Swap Options. In October 2008 the Authority filed a declaratory judgment action in federal district court requesting the court to determine the rights and obligations of the parties under the Swap Options. This case was settled in December 2010. The parties filed a Joint Motion for Voluntary Dismissal and an Order was granted dismissing the case.

Lynch, et al. v. State of Alabama, et al., is a class action filed in the U.S. District Court, Northern District of Alabama, on March 13, 2008. This class action suit is brought on behalf of public school students who maintain that their civil rights have been violated by the manner in which Alabama's public schools are funded. The plaintiffs are seeking a declaratory judgment that the property tax restrictions in the Alabama Constitution violate Title VI of the Civil Rights Act, 42 U.S.C. Section 2000d et seq., and the Constitution of the United States. They also seek an injunction against enforcing the current property tax laws until the Governor and legislature enact tax reforms and adequate funding of education. The financial impact is not determinable at this time, but is potentially significant. A trial began in U. S. District Court on March 21, 2011 and is ongoing.

The State of Alabama has been involved in settling lawsuits challenging the constitutionality of the franchise tax in effect before 2000. The U. S. Supreme Court ruled that Alabama's franchise tax scheme unconstitutionally discriminated against interstate commerce. The State is continuing to negotiate settlements with corporations for potential refunds totaling \$87,000,000 plus accumulated interest of \$150 million to \$200 million. The State Legislature enacted laws to remedy the significant loss of revenue.

On August 14, 2009, Colonial Bank failed and was taken over by the State Banking Department and the Federal Deposit Insurance Corporation. The State of Alabama Department of Revenue entered final tax assessments totaling \$154,600,000 and recorded liens against various entities within the Colonial Bank family of entities. Appeals from those assessments are pending in the Administrative Law Division of the Department of Revenue, the Montgomery Bankruptcy Court, and in the FDIC receivership in Dallas, Texas.

The State of Alabama Department of Revenue is also involved in significant tax-related lawsuits or actions that challenge the legality of certain taxes or challenge other provisions of tax laws and procedures. Other cases challenge tax assessments made by the Department. These cases have a significant combined potential refund liability or reductions of assessments. Adverse rulings in these cases could also reduce future revenues.

Eugene Crum, Jr., et al. v. State of Alabama, et al., was an employment discrimination case filed in 1994 against various state agencies and the State Personnel Department. The Crum case alleges discrimination in all aspects of employment. In March 2006, the State filed a request to the Court for a ruling on the class certification issue citing, in part, the continuing financial burden that expert updates and responses has placed on the State. The Court granted the State's "Motion for a Ruling" in May 2006. The Court recently denied class certification to plaintiffs and defendants. Any individual lawsuits remaining are not considered a significant liability to the state.

For the Fiscal Year Ended September 30, 2010

NOTE 14 - DONOR-RESTRICTED ENDOWMENTS

The Uniform Management of Institutional Funds Act, as adopted in Alabama, permits the boards of the educational institutions of the State to allocate an amount of realized and unrealized endowment appreciation as the boards determine to be prudent for donor-restricted endowments. The colleges' policies are to retain the endowments realized and unrealized appreciation with the endowments after the spending rate distributions. Endowments' earnings are classified in accordance with donor restrictions and are reported in the component units as net assets restricted for permanent trust – expendable or non-expendable as appropriate. The Boards of the University of Alabama and University of South Alabama approved a spending rate of 5% of a moving three-year average of the fair (unit) value. The other four-year colleges have approved similar spending rate policies with rates ranging between 3 and 6%. The net endowment appreciation of the four-year colleges at September 30, 2010 was \$45,714,000.

NOTE 15 - SUBSEQUENT EVENTS**Primary Government**

On December 9, 2010, the Alabama State Port Authority issued \$106,045,000 Series 2010 Docks Facilities Revenue Bonds. The interest rates on the bond range from 6% to 6.25% and will mature on October 1, 2040. The bonds refund the outstanding \$79,298,000 of the 2008-B and 2009-A debt.

In November, 2010, Athens State University, a subsidiary of the Alabama College System, executed a private placement bond issue in the amount of \$1,860,000 to purchase a strip mall located adjacent to campus.

Component Units

From October 1, 2010 through December 17, 2010, the Alabama Housing Finance Authority called approximately \$30,960,000 of bonds prior to their scheduled maturities in the single family bond program.

The Housing Finance Agency Hardest Hit Fund (HHF) is funded through the U.S. Department of Treasury to provide funds to help families in states hit hardest by the foreclosure crisis in conjunction with high unemployment rates. Alabama, through the Alabama Housing Finance Authority, was added in the third round of potential funding in August 2010. In September 2010, the Authority submitted a proposal for \$60.6 million of HHF funds. Subsequently, additional funds totaling \$101.9 million were made available to the State of Alabama to be administered by the Authority. After initiating a pilot program in December 2010 the program is scheduled to begin in February 2011. The Authority is currently designing and planning its implementation. The Authority has drawn \$8 million in HHF funds to be used to fund the program as of the date the financial statements were available to be issued.

Subsequent to year-end, Moody's Investor Services downgraded Pallas Capital Corporation's guaranteed investment contracts (GICs) below the Alabama Housing Finance Authority's contractual requirements. All amounts relating to Pallas' GICs have been sold and reinvested in money market funds, within each respective single-family bond issue.

On November 9, 2010, the University of Alabama at Tuscaloosa issued the Series 2010 B, C, and D General Revenue Bonds totaling \$149,460,000. The proceeds from these bond issuances will fund various capital projects.

In November, 2010, the University of Alabama at Birmingham issued \$54,650,000 Series 2010A General Revenue Bonds. The bonds pay interest at varying rates 2% to 4.25% with principal due annually through October 1, 2034. In November, 2010, the University issued \$52,975,000 In Series 2010B General Revenue Bonds. The bonds pay interest at varying rates 1% to 5.2% with principal due annually through October 1, 2030. In November, 2010, the University issued \$34,550,000 in Series 2010C General Revenue Bonds. The bonds pay interest at varying rates 2% to 4% with principal due annually through October 1, 2027.

In November, 2010, the Alabama Public School and College Authority issued \$53,000,000 Series 2010-C Tax-Exempt Capital Improvement Direct Loan Bonds and \$13,500,000 Series 2010-D Taxable Capital Improvement Direct Loan Bonds. The interest rates on the 2010-C and 2010-D bonds range from 2.48% to 3.77%. The bonds will be payable on December 1 each year. The maturity date of the bonds is December 1, 2020.

On November 30, 2010, the Alabama Water Pollution Control Authority issued \$36,850,000 Series 2010-C Revolving Fund Loan Refunding Bonds. The interest rates on the bonds range from 2% to 4% and the bonds will mature on August 15, 2023. The bonds are issued for the purpose of refunding, on a current basis, \$61,795,000 Series 2000 bonds.

On December 20, 2010, the Declaratory Judgment Action from 2008 in regard to the March 2002 interest swap agreement along with the 2003 amendments between Alabama Public School and College Authority and JP Morgan Chase Bank N.A., was settled. The Authority made a payment to JP Morgan of \$19,000,000 in return for a full settlement of claims and mutual release from the swap agreement.

On October 29, 2010, the Alabama Higher Education Loan Corporation (AHELC), a nonmajor component unit, paid in full at par plus accumulated interest \$75,100,000 Series 2006-A1 and Series 2006-A2 bonds. The Health Care and Education Reconciliation Act (HCERA) of 2010 was signed into law on March 30, 2010. HCERA eliminates the origination and/or guarantee of FFELP loans, effective July 1, 2010. HCERA does allow lenders to make subsequent disbursements on loans originated on or before June 30, 2010. Since the Corporation cannot fund any new FFELP loans after June 30, 2010, a strategic decision was made to sell the entire FFELP Loan Portfolio and utilize the proceeds of that sale and additional equity to redeem its outstanding bonds and eliminate all of the Corporation's debt. The loan portfolio was offered for sale through a competitively bid transaction. On October 19, 2010, the loans were sold to a reputable lender and servicer of FFELP loans who also agreed as a part of the transaction to honor all of the AHELC borrower benefits that were attached to the loans.

On November 17, 2010, the Alabama Revolving Loan Fund Authority issued \$20,755,000 Series 2010 Special Obligation and Refunding Taxable Bonds. The interest rate on the bond ranges from 2.5% to 6% with principal due annually on March 1. The maturity date of the bonds is March 1, 2030. The bonds will refund \$8,330,000 Series 2000 bonds.

Subsequent to September 30, 2010, the University of North Alabama refinanced \$10,355,000 of the 1999-A General Fee Revenue Bonds and issued new debt in the amount of \$25,290,000 in Build America Bonds for the purpose of constructing a Science and Engineering Technology Facility.

STATE OF ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule

All Budgeted Funds

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	with Final Budget
REVENUES				
Taxes	\$ 1,083,120	\$ 1,045,683	\$ 955,771	\$ (89,912)
Licenses, Permits and Fees	174,205	168,184	153,723	(14,461)
Fines, Forfeits, and Court Settlements	27,396	26,449	24,175	(2,274)
Investment Income	26,572	25,654	23,448	(2,206)
Federal Grants and Reimbursements	-	-	-	-
Other Revenues	776	749	684	(65)
Total Revenues	1,312,069	1,266,719	1,157,801	(108,918)
EXPENDITURES				
Administrative Office of Courts	164,556	163,039	162,335	704
Agriculture and Industries	16,622	15,165	14,614	551
Attorney General	12,957	11,662	10,398	1,264
Auditor	861	775	704	71
Commission on Higher Education	-	-	-	-
Corrections	254,028	269,176	264,335	4,841
Economic and Community Affairs	18,861	16,201	11,545	4,656
Education	-	-	-	-
Emergency Management	8,591	7,715	5,631	2,084
Examiners of Public Accounts	13,343	12,009	11,888	121
Finance	13,815	12,433	8,987	3,446
Governor	4,473	5,243	4,140	1,103
Human Resources	-	-	-	-
Industrial Relations	2,553	2,297	2,072	225
Legislature	32,653	29,329	22,858	6,471
Medicaid	342,847	349,847	315,254	34,593
Mental Health	-	-	-	-
Postsecondary Education	-	-	-	-
Public Health	50,737	46,414	45,380	1,034
Public Safety	79,313	71,292	64,193	7,099
Public Service Commission	-	-	-	-
Rehabilitation Services	31	28	27	1
Revenue	102	92	72	20
Secretary of State	3,040	3,176	2,790	386
Transportation	-	-	-	-
Treasurer	2,712	2,441	2,007	434
Youth Services	15,644	14,080	13,580	500
Colleges and Universities	-	-	-	-
Other	234,470	216,625	196,301	20,324
Total Expenditures	1,272,209	1,249,039	1,159,111	89,928
Excess (Deficiency) of Revenues Over (Under) Expenditures	39,860	17,680	(1,310)	(18,990)
OTHER FINANCING SOURCES (USES)				
Transfers In	306,015	295,437	270,034	(25,403)
Transfers Out	(345,875)	(313,136)	(313,039)	97
Bonds Issued	-	-	-	-
Insurance Recovery Proceeds	-	19	19	-
Total Other Financing Sources (Uses)	(39,860)	(17,680)	(42,986)	(25,306)
Net Change in Fund Balances	\$ 0	\$ 0	(44,296)	\$ (44,296)

EDUCATION TRUST FUND				EARMARKED FUNDS			
Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget
Original	Final			Original	Final		
\$ 5,747,706	\$ 5,226,221	\$ 5,216,220	\$ (10,001)	\$ 1,315,855	\$ 1,598,772	\$ 1,257,005	\$ (341,767)
51	46	46	-	395,957	481,090	378,248	(102,842)
-	-	-	-	23,211	28,202	22,173	(6,029)
-	-	-	-	19,501	23,694	18,629	(5,065)
-	-	-	-	9,576,243	11,635,198	9,147,958	(2,487,240)
260	237	236	(1)	923,764	1,122,380	882,451	(239,929)
5,748,017	5,226,504	5,216,502	(10,002)	12,254,531	14,889,336	11,706,464	(3,182,872)
-	-	-	-	22,251	28,228	22,433	5,795
-	-	-	-	23,216	24,024	18,568	5,456
-	-	-	-	7,970	9,027	8,444	583
-	-	-	-	-	100	100	-
20,748	18,778	16,698	2,080	4,725	4,725	3,914	811
-	-	-	-	181,556	185,841	172,066	13,775
-	-	-	-	418,377	499,233	345,448	153,785
3,881,712	3,509,865	3,502,452	7,413	1,783,819	2,009,586	1,461,311	548,275
-	-	-	-	131,453	166,455	87,376	79,079
7,450	6,742	6,741	1	3,451	5,754	1,837	3,917
-	-	-	-	137,474	139,920	83,491	56,429
-	-	-	-	-	26	26	-
-	-	-	-	1,847,070	2,212,247	1,961,426	250,821
-	-	-	-	107,356	111,522	85,133	26,389
-	-	-	-	-	-	-	-
-	-	-	-	4,602,845	5,637,045	4,954,852	682,193
-	-	-	-	879,872	928,189	859,040	69,149
408,757	369,924	364,420	5,504	64,476	71,455	55,503	15,952
17,491	15,829	15,717	112	769,081	774,896	650,435	124,461
-	-	-	-	97,319	113,326	80,831	32,495
-	-	-	-	21,871	22,047	16,122	5,925
37,017	33,501	33,499	2	129,403	133,751	107,532	26,219
-	-	-	-	136,861	140,468	134,449	6,019
-	-	-	-	19,838	19,838	3,182	16,656
-	-	-	-	1,613,972	3,035,669	1,361,689	1,673,980
-	-	-	-	3,321	3,850	2,741	1,109
63,329	62,100	60,204	1,896	26,233	29,863	25,797	4,066
1,131,469	1,023,978	1,023,978	-	100,044	100,098	91,946	8,152
125,042	132,815	127,384	5,431	1,249,623	1,375,855	1,093,210	282,645
5,693,015	5,173,532	5,151,093	22,439	14,383,477	17,783,038	13,688,902	4,094,136
55,002	52,972	65,409	12,437	(2,128,946)	(2,893,702)	(1,982,438)	911,264
420	382	382	0	2,128,946	2,586,684	2,033,732	(552,952)
(55,422)	(53,354)	(53,354)	-	-	-	-	-
-	-	-	-	-	303,854	303,854	-
-	-	-	-	-	3,164	3,164	-
(55,002)	(52,972)	(52,972)	0	2,128,946	2,893,702	2,340,750	(552,952)
\$ 0	\$ 0	12,437	\$ 12,437	\$ 0	\$ 0	358,312	\$ 358,312

STATE OF ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule

Budget-to-GAAP Reconciliation

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	BUDGETARY FUNDS			
	General Fund	Education Trust Fund	Earmarked Funds	Alabama Trust Fund
Net Change in Fund Balance	\$ (44,296)	\$ 12,437	\$ 358,312	
Reconciliation to GAAP Basis:				
Perspective Differences:				
Reclassification of budgetary funds to GAAP financial statement fund types	-	-	(358,312)	\$ 5,125
Basis Differences:				
Accruals of revenues and other revenue adjustments	(86,026)	(38,047)		967
Accruals of expenditures, expenses and other non-budgeted items	(22,567)	324		-
To remove asset purchases treated as budgetary expenditures	13,800	-		-
To remove encumbrances recognized as expenditures	2,040	3,033		132
To recognize prior budget year expenditures/expenses	(3,707)	(861)		(81)
To remove budget expenditures/expenses not accrued as liabilities	1,424	129		-
Entity Differences:				
Add net operating results for funds not budgeted				172,027
Net Change in Fund Balances/Net Assets - GAAP Basis	(139,332)	(22,985)	0	178,170
Fund Balances/Net Assets, October 1, 2009, as Restated	222,142	(221,541)		2,951,416
Increase (Decrease) in Inventory	69	-		-
Fund Balances/Net Assets, September 30, 2010	\$ 82,879	\$ (244,526)		\$ 3,129,586

FINANCIAL STATEMENT CLASSIFICATION								
Medicaid Fund	Public Road and Bridge Fund	Public Welfare Trust Fund	Nonmajor Governmental Funds	Enterprise Funds	Internal Service Funds	Pension (and Other Employee Benefit) Trust Funds	Private-Purpose Trust Funds	Component Units
\$ 53,167	\$ 132,217	\$ 2,494	\$ 156,728	\$ (56,210)	\$ (16,909)	\$ (11,641)	\$ (541)	\$ 93,882
19,931	(45,408)	7,145	245,057	43	14,174	(366)	164	3,508
(31,201)	(86,360)	(12,955)	(144,835)	49,336	(4,805)	6,245	761	4,573
-	-	-	716	823	11,195	616	-	4,030
10,654	43,411	4,708	39,121	(150)	982	399	52	5,746
1,360	(6,576)	(2,385)	(71,885)	(134)	(691)	(224)	-	(274,995)
(7,670)	15,680	(178)	19,926	550	19	91	(22)	42,065
78	(930)	(29)	17,499	(65,763)	8,614	1,665,417	6,989	733,940
<u>46,319</u>	<u>52,034</u>	<u>(1,200)</u>	<u>262,327</u>	<u>(71,505)</u>	<u>12,579</u>	<u>1,660,537</u>	<u>7,403</u>	<u>612,749</u>
(8,355)	418,452	83,872	1,246,600	1,199,820	144,763	26,069,387	1,134,966	6,085,671
-	2,314	-	24	-	-	-	-	-
<u>\$ 37,964</u>	<u>\$ 472,800</u>	<u>\$ 82,672</u>	<u>\$ 1,508,951</u>	<u>\$1,128,315</u>	<u>\$ 157,342</u>	<u>\$ 27,729,924</u>	<u>\$ 1,142,369</u>	<u>\$ 6,698,420</u>

STATE OF ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION

Notes on Budgetary Accounting and Reporting

For the Fiscal Year Ended September 30, 2010

Budgetary Process

Formulation of the budget begins with the preparation of estimates of expenditure requirements for the next fiscal year by the administrative head of each budgeted agency and institution. These estimates are submitted annually to the Executive Budget Office of the Finance Department on or before the first day of the third month preceding each regular session of the Legislature. The budget is prepared by program elements for each agency. Requested changes in programmatic expenditures over the prior fiscal year must be explained, and proposed capital expenditures must be justified as required by the Executive Budget Office.

The budget document, as finally developed by the Governor, is published and transmitted to the Legislature on or before the second legislative day of each regular session. For each agency, comparative summaries of appropriations and revenues are presented for the prior year, current year, the agency's request for the next year, and the Governor's recommendation for the next year. The recommended appropriation bills indicate the programmatic appropriation to each agency and the source of funds from which each appropriation is to be paid. The Legislature then legally enacts the State budget into law through the passage of a number of bills as Appropriation Acts. Some conditional appropriations are included in the Appropriation Acts. The agencies do not include these conditional amounts in the original budget, unless the conditions have been met before the fiscal year begins.

The General Fund appropriations were reduced as a result of proration in the amount of \$184 million and then proration was reduced by \$31 million later for a net proration of \$153 million. Approximately \$101 million of supplemental appropriations and \$3 million of conditional and other appropriations were distributed to various agencies from the General Fund. The Department of Corrections and the Medicaid Agency received supplemental appropriations in the amounts of \$52 million and \$42 million, respectively. Some expenditures are required by law to be fully funded and estimated amounts are approved in the General Fund appropriation bill. Increases to these estimated amounts do not require a new bill and are included as other appropriations. Original appropriations to the Departmental Emergency Fund are included in the original budget. Emergency appropriations cannot exceed two percent of the total General Fund appropriation bill.

The Education Trust Fund appropriations were reduced twice as a result of proration in the amounts of \$428 million and \$114 million. During fiscal year 2010, \$20 million of supplemental appropriations were distributed from the Education Trust Fund. Veterans Affairs received a supplemental appropriation of \$14 million.

The Appropriation Acts budget by agency and program rather than by GAAP basis funds. The State funds its budgetary activities under three budgetary fund groups. The first is the General Fund, which includes many of the general operations of the three branches of government. The second is the Education Trust Fund (ETF), which is restricted to funding all levels of educational activity in the State. The third budgetary group is referred to in the budget documents as Earmarked Funds. The Earmarked Funds group includes the operations of most governmental funds of both the primary government and the component units, as well as portions of some proprietary and fiduciary operations.

The Appropriation Acts do not include a revenue budget. At the time of their passage, estimates prepared by legislative and executive branch professional staff assure the legislature that adequate revenues will be available to meet the level of appropriations approved. The Appropriation Acts specify that in addition to the appropriations made, all gifts, grants, or contributions in excess of the amount appropriated are automatically appropriated to be used for the purposes specified in the gift, grant, or contribution. This includes federal funds which are included in the Earmarked Funds. Most of the \$3.4 billion increase in the Earmarked Funds is increased federal funds.

Numerous statutes exist which restrict the use of most state revenue sources to specific uses. The General Fund is funded by a wide variety of taxes, licenses, and interest income. The ETF is funded primarily by income taxes and sales taxes. The Earmarked Funds are generally funded by a combination of federal funds, local funds, and specific taxes and licenses. State law also requires that if revenues actually received are inadequate to fund the appropriations, then the appropriations must be prorated to the level that the revenues will support. For the Budgetary Comparison Schedule, the budgeted revenues consist of the amount of budgeted expenditures allocated among the revenue categories in proportion to the actual amounts received.

STATE OF ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION

Notes on Budgetary Accounting and Reporting

For the Fiscal Year Ended September 30, 2010

Budgetary Control

The legal level of control is the agency and program specified in the Appropriation Acts. For example, “Lab Analysis and Disease Control” and “Agricultural Inspection Services” are two programs within the agency of Agriculture and Industries. Below this legal level of control, the professional management of the Finance Department, under the authority of the Governor’s policy, exercises budgetary control at the fund and object level. Each agency must submit an operations plan detailing planned expenditures down to the object level, and then must follow that plan or explain why a change must be made. Allotments of appropriations are made quarterly based on the plans of operations submitted by the agencies.

The Department of Finance enforces both the legal level and the professional management level of budgetary control through automated edits which must be complied with before making expenditures against an appropriation. A change between objects within appropriations for programs (financial management level) must have the approval of the Budget Officer and the Finance Director.

The Budget Management Act legally authorizes the transfer of appropriations between programs within an agency with the approval of the Governor. Any transfers approved by the Governor must be reported to the Legislature. Transfers between agencies, but within the same program, may be made pursuant to interagency agreements executed for the purposes of accomplishing the objectives for which the Legislature made the appropriation. These interagency agreements must also be approved by the Governor. Under the Budget Management Act, the Governor cannot create new budget authority; he can only transfer existing authority.

Both the *Constitution of Alabama of 1901* and the statutes require a balanced budget for annual financial operations. The Finance Department monitors revenue projections during the year to ensure that adequate funds will be available to meet budgeted expenditures. If cash collections do not meet budget projections, the Governor is required to prorate appropriations and restrict allotments to prevent an overdraft or budget deficit in any fiscal year. Within the Alabama Trust Fund, a General Fund Rainy Day Account and an Education Trust Fund Rainy Day Account have been created by constitutional amendment. If proration is declared for the General Fund or the Education Trust Fund, then oil and gas capital payments in the Alabama Trust Fund will be used to fund withdrawals from the Rainy Day Accounts. If proration is declared for the General Fund, Rainy Day withdrawals may not exceed the lesser of (a) ten percent of the previous fiscal year’s General Fund appropriations less the total amount of any prior years’ withdrawals from the account which have not been repaid to the account, or (b) the average of the estimated available revenue for the General Fund certified by the Finance Director and the Legislative Fiscal Officer prior to the third legislative day of the Regular Session. If proration is declared for the Education Trust Fund, Rainy Day withdrawals may not exceed the lesser of (a) six and one-half percent of the previous fiscal year’s Education Trust Fund appropriations less the total amount of any prior years’ withdrawals from the account which have not been repaid to the account, or (b) the average of the estimated available revenue for the Education Trust Fund certified by the Finance Director and the Legislative Fiscal Officer prior to the third legislative day of the Regular Session. The Rainy Day Accounts must be replenished within 10 years for the General Fund withdrawals and 6 years for the Education Trust Fund withdrawals. The General Fund was prorated by 12% and then reduced by 2% in 2010. The Education Trust Fund was prorated by 7.5% and then by an additional 2% in 2010. The General Fund has 10 years to pay back \$162 million which was withdrawn in 2010, and the Education Trust Fund has 5 years to pay back \$437 million which was withdrawn in 2009. At the end of fiscal year 2010 there were no funds left that could be drawn for either Rainy Day Accounts.

Encumbrance Accounting

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting is used as purchase orders are issued to ensure that purchase orders plus expenditures do not exceed allotment balances. At fiscal year end this control becomes stricter, as purchase orders plus any other obligations or accounts payable incurred against fiscal year appropriations may not exceed allotment balances.

Encumbrances outstanding at year end in governmental funds are reported on the GAAP basis statements as a reservation of fund balance. Encumbrance balances are reported on the budgetary basis statements as expenditures.

Lapsing of Appropriations

All non-capital outlay appropriation balances not reserved by encumbrances or accounts payable lapse at September 30 of each fiscal year. Furthermore, any non-capital outlay appropriation balance not reserved by encumbrances lapses at November 30 following each fiscal year. Encumbrances remain valid for a period of one year following the end of the fiscal year. Balances of

STATE OF ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION

Notes on Budgetary Accounting and Reporting

For the Fiscal Year Ended September 30, 2010

encumbrances are reported on the Budgetary Comparison Schedule as expenditures. Capital outlay appropriations for the purchase of land, the construction of buildings, or for the maintenance of roads and bridges of the state highway system continue until the completion of the project.

Budgetary Basis of Accounting and Fund Structure

The State budgets and operates primarily on the budgetary basis which approximates the cash basis with certain material exceptions. During the fiscal year, encumbrances, which represent obligations against current fiscal year appropriations, are accrued. At year end, fund balances are reserved to accrue expenditures for those outstanding encumbrances and estimated accounts payable. In compliance with Amendment 26 to the *Constitution of Alabama of 1901*, the total reservation may not exceed the cash on hand in the State Treasury. Therefore, at year end, cash always equals or exceeds obligations (encumbrances and estimated accounts payable). The Budgetary Comparison Schedule (Non-GAAP Basis) presents comparisons of the adopted budget with actual data on a budgetary basis. The budget excludes funds for all entities operating outside the State Treasury, certain distributive accounts such as those for making distributions to local governments, and most debt service accounts. Since the accounting principles used in the State's budgetary basis of accounting differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of the differences is presented on the schedule. Governmental Accounting Standards Board (GASB) Statement No. 41 requires that budgetary comparison schedules be presented as RSI based on the fund, organization, or program structure that the government uses for its legally adopted budget for a government with significant budgetary perspective differences that result in the government's not being able to present budgetary comparisons for the general fund and each major special revenue fund. The budgetary fund structure for the General Fund group and the Education Trust Fund group is essentially the same as the GAAP fund structure. The Earmarked Fund group does not correspond to a major GAAP fund and these perspective differences are included in the Budget-to-GAAP Reconciliation. The budgets of some major funds are spread throughout various agencies and programs in the Earmarked Fund group. A Detail Schedule of Budget and Actual Expenditures appears in the Governmental Funds subsection of the Combining and Individual Fund Statements and Schedules Section of the CAFR. This schedule provides detail information at the legal level of control for each individual appropriation item contained in the budget for all budgetary fund groups.

STATE OF ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION

Ten Year Loss Development Information for State Insurance Fund

For the Fiscal Year Ended September 30, 2010

The following table illustrates how the State Insurance Fund's (Fund) earned revenue (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Fund as of the end of each of the previous ten years. The rows of the table are defined as follows: (1) This line shows the total of each fiscal year's gross earned premiums and reported investment revenue, amounts of premiums ceded, and reported premiums (net of reinsurance) and reported investment revenue. (2) This line shows each fiscal year's other operating costs of the Fund including overhead and loss adjustment expenses not allocable to individual claims. (3) This line shows the Fund's gross incurred losses and allocated loss adjustment expense, losses assumed by reinsurers, and net incurred losses and loss adjustment expense (both paid and accrued) as originally reported at the end of the year in which the event that triggered coverage occurred (called accident year). (4) This section of ten rows shows the cumulative net amounts paid as of the end of successive years for each accident year. (5) This line shows the latest reestimated amount of losses assumed by reinsurers for each accident year. (6) This section of ten rows shows how each accident year's net incurred losses increased or decreased as of the end of successive years. (This annual reestimation results from new information received on known losses, reevaluation of existing information on known losses, and emergence of new losses not previously known.) (7) This line compares the latest reestimated net incurred losses amount to the amount originally established (line 3) and shows whether this latest estimate of losses is greater or less than originally estimated. As data for individual accident years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of net incurred losses currently recognized in less mature accident years. The columns of the table show data for successive accident years.

	Fiscal and Accident Year Ended									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
1. Premiums and investment revenue:										
Earned	\$ 13,871	\$ 11,785	\$ 20,108	\$ 26,051	\$ 28,012	\$ 28,682	\$ 31,625	\$ 31,505	\$ 32,760	\$ 32,489
Ceded	4,625	6,819	9,220	9,355	8,866	11,098	15,067	16,582	17,022	16,803
Net Earned	9,246	4,966	10,888	16,696	19,146	17,584	16,558	14,923	15,738	15,686
2. Unallocated Expenses	1,492	1,630	1,321	1,226	1,435	2,012	2,012	3,030	3,273	3,010
3. Estimated losses and expenses, end of accident year:										
Incurred	10,467	9,033	20,571	19,113	15,806	17,978	34,751	9,843	12,113	12,319
Ceded	580	1,042	6,950	5,857	990	89	23,973	-	-	5,781
Net incurred	9,887	7,991	13,621	13,256	14,816	17,889	10,778	9,843	12,113	6,538
4. Net paid (cumulative) as of:										
End of Accident Year	4,086	1,638	6,724	2,956	2,229	6,245	4,617	2,840	5,135	6,310
One Year Later	8,732	6,962	12,336	8,432	10,068	12,391	14,468	6,257	2,980	
Two Years Later	9,764	7,408	11,636	9,549	12,021	14,930	15,893	6,613		
Three Years Later	9,782	7,424	11,983	10,301	12,138	14,977	16,160			
Four Years Later	9,796	7,424	11,066	10,347	12,096	15,160				
Five Years Later	9,796	7,453	10,957	10,231	12,094					
Six Years Later	9,796	7,459	10,730	10,231						
Seven Years Later	9,746	7,278	10,730							
Eight Years Later	9,582	7,278								
Nine Years Later	9,673									
5. Reestimated ceded losses and expenses	446	2,221	6,173	23,158	15,668	87	16,293	-	-	5,781
6. Reestimated net incurred losses and expenses as of:										
End of Accident Year	9,887	7,991	13,621	13,255	14,816	17,889	10,778	9,843	15,975	6,538
One Year Later	9,726	7,716	13,058	10,602	13,801	16,170	16,661	7,535	12,113	
Two Years Later	10,103	7,687	12,054	10,662	13,247	15,133	16,120	7,240		
Three Years Later	10,021	7,471	11,999	10,623	12,292	15,160	16,160			
Four Years Later	9,846	7,449	11,113	10,347	12,096	15,160				
Five Years Later	9,796	7,513	10,957	10,231	12,094					
Six Years Later	9,796	7,459	10,730	10,231						
Seven Years Later	9,746	7,278	10,730							
Eight Years Later	9,582	7,278								
Nine Years Later	9,673									
7. Increase (decrease) in estimated net incurred losses and expenses from end of accident year	(214)	(713)	(2,891)	(3,025)	(2,722)	(2,729)	5,382	(2,603)	-	-

STATE OF ALABAMA**REQUIRED SUPPLEMENTARY INFORMATION****Schedule of Funding Progress for Employees' Retirement System**

For the Fiscal Year Ended September 30, 2010

State Employees and State Policemen

(Amounts In Thousands)

Actuarial Valuation Date	(A) Actuarial Value of Assets	(B) Actuarial Accrued Liability (AAL)	(B-A) Unfunded AAL	(A/B) Funded Ratio	(C) Covered Payroll	((B-A)/C) UAAL as a % of Covered Payroll
9/30/2004	\$ 4,922,875	\$ 5,464,579	\$ 541,704	90.1	\$ 1,194,599	45.3
9/30/2005	5,019,873	6,067,599	1,047,726	82.7	1,322,763	79.2
9/30/2006	5,107,345	6,336,009	1,228,664	80.6	1,335,047	92.0
9/30/2007	5,272,570	6,852,536	1,579,966	76.9	1,541,509	102.5
9/30/2008	5,262,934	7,102,856	1,839,922	74.1	1,582,712	116.3
9/30/2009	5,163,233	7,297,454	2,134,221	70.8	1,563,862	136.5

The Retirement Systems of Alabama issues a stand-alone financial report that includes financial statements and required supplementary information for the year ended September 30, 2010. Copies may be obtained by writing to:

The Retirement Systems of Alabama
P.O. Box 302150
201 South Union Street
Montgomery, AL 36130-2150

STATE OF ALABAMA**REQUIRED SUPPLEMENTARY INFORMATION****Schedule of Funding Progress for Retired State Employees' Health Care Trust**For the Fiscal Year Ended September 30, 2010

Retired State Employees Health Care Trust
(Amounts In Thousands)

Actuarial Valuation Date	(A) Actuarial Value of Assets	(B) Actuarial Accrued Liability (AAL)	(B-A) Unfunded AAL	(A/B) Funded Ratio	(C) Covered Payroll	((B-A)/C) UAAL as a % of Covered Payroll
9/30/2007	\$ -	\$ 2,984,796	\$ 2,984,796	0.0%	\$ 1,582,827	188.6%
9/30/2008	52,185	3,003,381	2,951,196	1.7%	1,623,879	181.7%
9/30/2009	88,588	4,142,076	4,053,488	2.1%	1,607,097	252.2%

STATE OF ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION

Notes to Schedule of Funding Progress for Retired State Employees' Health Care Trust

For the Fiscal Year Ended September 30, 2010

Changes in the actuarial assumptions significantly affect the identification of trends in the amounts reported in the Schedule of Funding Progress. The table below summarizes these changes.

Actuarial Valuation Date	Investment Rate of Return *	Medical Cost Trend Rate *		Ultimate Trend Rate *	Year of Ultimate Trend Rate
		Medicare Eligible	Pre-Medicare		
9/30/2007	5%	9.5%	11.0%	5%	2016
9/30/2008	5%	9.0%	11.0%	5%	2016
9/30/2009	5%	9.0%	10.5%	5%	2016

*Includes inflation at 4.50%.

The medical cost trend rate for Medicare-eligible retirees was changed from 9.5 percent to 9 percent for the 9/30/2008 valuation and for Pre-Medicare retirees was changed from 12 percent to 11 percent for the 9/30/2007 valuation. The investment rate of return was changed from 4 percent to 5 percent and the ultimate trend rate was changed from 6 percent to 5 percent for the 9/30/2006 valuation. Also, a Medicare Advantage Plan was established for Medicare-eligible retirees. The medical cost trend rate for pre-Medicare changed from 11% to 10.5% for the 9/30/2009 valuation. The effects of these changes are reflected in the actuarial valuations.

The State Employees' Insurance Board issues a stand-alone financial report that includes the Retired State Employees' Health Care Trust financial statements and required supplementary information for the year ended September 30, 2010. A copy may be obtained by writing to:

State Employees' Insurance Board
P. O. Box 304900
201 South Union Street, Suite 200
Montgomery, AL 36130-4900

STATE OF ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION

Information About Infrastructure Assets Reported Using the Modified Approach

For the Fiscal Year Ended September 30, 2010

Modified Approach

As allowed by GASB Statement Number 34, the State has adopted the modified approach for reporting roadway and bridge infrastructure assets. Under the modified approach, depreciation is not recorded. Infrastructure costs that result in an increase in the capacity or an improvement in the efficiency of the infrastructure network are capitalized and added to the historical cost of the assets. Costs that allow the infrastructure network to be used efficiently over the expected useful life of the assets are expensed as general maintenance costs. Certain maintenance costs that extend the useful life of the assets but do not increase capacity or efficiency are classified as preservation costs. Preservation costs are expensed and reported in lieu of a charge for depreciation expense. Assets accounted for under the modified approach in fiscal year 2010 include approximately 10,876 miles of state maintained highways and 5,368 of state maintained bridges and culverts.

In order to utilize the modified approach, Alabama is required to:

- Maintain an asset management system that includes an inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate annually the amount to maintain and preserve the assets at the condition level established and disclosed by the State.
- Document that the assets are being preserved approximately at or above the established condition level.

Roads

Measurement Scale

The Alabama Department of Transportation uses the International Roughness Index (IRI) to measure and monitor pavement conditions. The IRI is a standard representing the perceived smoothness of pavements while traveling in passenger cars. The smoothness is measured by the cumulative height the wheel of a vehicle travels vertically over a mile long section of roadway. For example, if the wheel of a vehicle travels vertically 1.0 inches every 0.01 miles, the IRI for that 1 mile section of roadway would be the sum of 100 measurements ($0.01 \times 100 = 1$ mile) of 1.0 inches each or 100 inches/mile. A lower IRI measurement represents a smoother condition of pavement.

Data is collected by route samples and complete route assessments when available. If data is collected in route samples, the samples are weighted by route length to give system averages. If data is collected for the complete route, the frequency of collection is every 0.01 mile and no weighting is used in the computation of system averages.

The United States Department of Transportation developed suggested values for IRI of <60 inches/mile to >220 inches/mile to grade the smoothness condition of the roadway. The Alabama Department of Transportation utilizes this scale of suggested values in its roadway condition assessments. The IRI scale is as follows:

IRI Rating	Condition	Description
> 170 Interstates		
> 220 Other Routes	Poor	Significant Maintenance Required (Resurfacing or Reconstruction)
120-170 Interstates		
171-220 Other Routes	Mediocre	Moderate Maintenance Required (Resurfacing or Reconstruction)
95-119 Interstates		
95-170 Other Routes	Fair	Routine Maintenance Required (Pavement Patching)
60-94 All Routes	Good	Negligible Maintenance Required
< 60 All Routes	Very Good	No Maintenance Required

STATE OF ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION

Information About Infrastructure Assets Reported Using the Modified Approach

For the Fiscal Year Ended September 30, 2010

Established Condition Level

The weighted average rating of all State maintained roadways shall be “Fair” or better.

Assessed Conditions

The following table represents the most recent condition assessment for roadways classified by Non-Interstate Non-National Highway System Routes, Non-Interstate National Highway System Routes, and Interstate Routes:

Category	As of September 30,					
	2010		2009		2008	
	Miles	Rating	Miles	Rating	Miles	Rating
Non-Interstate Non-National						
Highway System	7,163	83.90	7,192	79.50	7,197	83.12
Non-Interstate National						
Highway System	2,807	70.54	2,779	64.08	2,773	66.49
Interstate System	906	69.37	906	62.77	906	62.79
Summary Total and						
Weighted Average Rating	10,876	79.24	10,877	74.17	10,876	77.19

Bridges

Measurement Scale

ALDOT uses a weighted rating of the major structure components and the deck area of a bridge or culvert. The GASB 34 Bridge Rating is a zero to ten score assigned to each component-rating category and then averaged for each bridge asset classification using an algorithm developed by the ALDOT Maintenance Bureau. The algorithm uses the assessed weighted ratings, each bridge deck area, and the sum of all deck areas. The ten point scale is as follows:

Rating	Condition	Description
1 - 4.99	Marginal	Structural elements have been seriously affected by deterioration.
5 - 6.99	Satisfactory	Structural elements are sound but have minor deterioration.
7 or Greater	Good	Structural elements show negligible signs of deterioration.

Established Condition Level

The weighted average rating of all State maintained bridges and culverts shall be “Satisfactory” or better.

Assessed Conditions

The following table represents the most recent condition assessment for bridges and culverts classified by Non-Interstate Non-National Highway System Routes, Non-Interstate National Highway System Routes, and Interstate Routes:

STATE OF ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION

Information About Infrastructure Assets Reported Using the Modified Approach

For the Fiscal Year Ended September 30, 2010

Category	As of September 30,					
	2010		2009		2008	
	Structures	Rating	Structures	Rating	Structures	Rating
Non-Interstate Non-National						
Highway System	2,594	6.69	2,594	6.71	2,592	6.76
Non-Interstate National						
Highway System	1,629	6.84	1,625	6.91	1,621	6.91
Interstate System	1,151	6.10	1,149	6.08	1,149	6.11
Summary Total and						
Weighted Average Rating	5,374	6.60	5,368	6.64	5,362	6.67

Estimated and Actual Costs

In fiscal years 2010, 2009, 2008, 2007, and 2006, the State estimated it would need to spend \$306.0, \$310.0, \$320.0, \$277.7, and \$247.1 million, respectively, to preserve and maintain all roadway assets and \$10.0 million in each year to preserve all bridge assets at or above the “Established Condition Levels” presented above. The State spent \$387,793,000 for roadway preservation and \$47,020,000 for bridge preservation in fiscal year 2010. In fiscal year 2009, the State spent \$316,082,000 for road preservation and \$34,457,000 for bridge preservation. In fiscal year 2008, the State spent \$265,160,000 for roadway preservation and \$22,434,000 for bridge preservation. In fiscal year 2007, the State spent \$293,253,000 for roadway preservation and \$2,188,000 for bridge preservation. In fiscal year 2006, the State spent \$259,823,000 for maintenance and preservation of roadway and bridge assets combined. In the next fiscal year, the Alabama Department of Transportation estimates that it will need to spend approximately \$319,568,000 to preserve all roadway assets and approximately \$10,000,000 to preserve all bridge assets at or above the “Established Condition Levels” presented above. Condition levels are expected to continue to meet or exceed the “Established Condition Levels”.



STATE OF ALABAMA

COMBINING BALANCE SHEET

Nonmajor Governmental Funds by Fund Type

September 30, 2010

(Amounts in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Totals
ASSETS					
Cash and Cash Equivalents	\$ 995,524	\$ 509	\$ 155,592	\$ 13,111	\$ 1,164,736
Investments	472,760	300	70	56,694	529,824
Due from Other Funds	57,751	-	-	-	57,751
Due from Component Units	2,909	-	-	-	2,909
Investment Sales Receivable	845	-	-	-	845
Accounts Receivable	9,822	-	-	161	9,983
Due from Other Governments	157,732	-	-	-	157,732
Taxes Receivable	326,824	-	-	-	326,824
Interest and Dividends Receivable	3,020	-	2	192	3,214
Mortgages, Notes, and Loans Receivable	-	-	-	61	61
Securities Lending Collateral	39,068	-	3	8,171	47,242
Inventory	1,166	-	-	-	1,166
Restricted Assets	61,748	-	-	-	61,748
Other Assets	37	-	-	-	37
TOTAL ASSETS	\$ 2,129,206	\$ 809	\$ 155,667	\$ 78,390	\$ 2,364,072
LIABILITIES AND FUND BALANCES					
Liabilities					
Warrants Payable	\$ 39,273	\$ 0	\$ 6	\$ 0	\$ 39,279
Investment Purchases Payable	681	-	-	-	681
Salaries Payable	61,256	-	-	-	61,256
Due to Other Funds	46,464	-	-	6	46,470
Due to Component Units	149,556	-	-	-	149,556
Accounts Payable	118,212	3	2,328	52	120,595
Due to Other Governments	210,259	-	12	3	210,274
Securities Lending Obligation	39,068	-	3	8,171	47,242
Deferred Revenue	122,324	-	-	-	122,324
Amounts Held in Custody for Others	56,725	-	-	-	56,725
Compensated Absences	719	-	-	-	719
Total Liabilities	844,537	3	2,349	8,232	855,121
Fund Balances					
Reserved for:					
Encumbrances	43,116	-	-	-	43,116
Inventory	1,166	-	-	-	1,166
Restricted Assets	61,748	-	-	-	61,748
Long-term Receivables	208	-	-	-	208
Permanent Trust Principal	-	-	-	45,784	45,784
Unreserved, Designated for Capital Projects	-	-	153,318	-	153,318
Unreserved, Designated for Debt Service	-	806	-	-	806
Unreserved, Undesignated	1,178,431	-	-	24,374	1,202,805
Total Fund Balances	1,284,669	806	153,318	70,158	1,508,951
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,129,206	\$ 809	\$ 155,667	\$ 78,390	\$ 2,364,072

STATE OF ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Nonmajor Governmental Funds by Fund Type

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Totals
REVENUES					
Taxes	\$ 1,351,033	\$ 0	\$ 0	\$ 0	\$ 1,351,033
Licenses, Permits, and Fees	361,582	-	-	1,225	362,807
Fines, Forfeits, and Court Settlements	122,764	-	-	-	122,764
Investment Income	26,331	155	247	3,671	30,404
Federal Grants and Reimbursements	2,780,147	-	-	-	2,780,147
Other Revenues	363,540	2,138	282	1,460	367,420
Total Revenues	5,005,397	2,293	529	6,356	5,014,575
EXPENDITURES					
Current:					
Economic Development and Regulation	195,667	-	-	-	195,667
Education and Cultural Resources	1,723,887	-	-	757	1,724,644
Natural Resources and Recreation	177,635	-	-	-	177,635
Health	1,259,700	-	-	-	1,259,700
Social Services	346,358	-	-	14	346,372
Protection of Persons and Property	623,906	-	-	-	623,906
Transportation	237,453	-	-	-	237,453
General Government	717,055	-	-	-	717,055
Capital Outlay	-	-	42,525	-	42,525
Debt Service - Principal Retirement	1,149	44,316	-	-	45,465
Debt Service - Interest and Other Charges	2,703	47,180	816	-	50,699
Total Expenditures	5,285,513	91,496	43,341	771	5,421,121
Excess (Deficiency) of					
Revenues Over (Under) Expenditures	(280,116)	(89,203)	(42,812)	5,585	(406,546)
OTHER FINANCING SOURCES (USES)					
Transfers In	741,037	95,742	1,819	1,658	840,256
Bonds Issued	-	-	110,000	-	110,000
Refunding Bonds Issued	-	112,030	-	-	112,030
Other Debt Issued	62,136	-	-	-	62,136
Debt Issuance Premiums	-	10,840	9,906	-	20,746
Insurance Recovery Proceeds	1,127	-	-	-	1,127
Transfers Out	(336,478)	(2,663)	(10,560)	(696)	(350,397)
Payments to Refunded Bond Escrow Agent	-	(74,415)	-	-	(74,415)
Current Refunding to Bondholders	-	(52,610)	-	-	(52,610)
Total Other Financing Sources (Uses)	467,822	88,924	111,165	962	668,873
Net Change in Fund Balances	187,706	(279)	68,353	6,547	262,327
Fund Balances, October 1, 2009, as Restated	1,096,939	1,085	84,965	63,611	1,246,600
Increase (Decrease) in Inventory	24	-	-	-	24
Fund Balances, September 30, 2010	\$ 1,284,669	\$ 806	\$ 153,318	\$ 70,158	\$ 1,508,951



Nonmajor Special Revenue Funds

Nonmajor Special Revenue Funds account for specific revenue sources that are legally restricted to finance particular functions and activities of the State.

Public Health Department

Accounts for resources used for the primary operations of the Department of Public Health, which promotes the general physical health, enforces laws relating to public health and operates programs providing preventive and treatment services to the public.

Education Department

Accounts primarily for Federal programs administered by the State Department of Education.

Economic and Community Affairs

The Department of Economic and Community Affairs oversees federal and State programs related to energy management, skills enhancement and employment opportunities, traffic control and accident prevention, and state and regional planning.

Revenues Allocated to Other Governments

Account for revenues from taxes and other revenue sources which are shared with local governments and component units.

Other Medicaid Funds

Accounts for activity associated with the Medicaid program that is not reported in the Major Governmental Funds under either the General Fund or the Medicaid Fund.

Rehabilitation Services

Accounts for the operation of the Department of Rehabilitation Services which operates programs that provide services to aid handicapped citizens.

Public School Fund

Accounts for revenues and expenditures which are allocated to local boards of education for support of educational programs.

Children First Trust

Accounts for tobacco settlement revenues that are restricted to various programs that benefit children.

Revenue Administrative

Administers the collection of most state taxes and licenses.

Industrial Relations

Administers the employment security, workers compensation, and industrial safety and accident prevention programs.

Conservation and Natural Resources

Is responsible for the management of the State's game and wildlife resources as well as operation of the State parks system.

Other Nonmajor Special Revenue Funds

Are aggregated for reporting purposes and account for various other resources which must be used for specific purposes.

STATE OF ALABAMA

COMBINING BALANCE SHEET
Nonmajor Special Revenue Funds

September 30, 2010

(Amounts in Thousands)

	Public Health Department	Education Department	Economic and Community Affairs	Revenues Allocated to Other Governments	Other Medicaid Funds
ASSETS					
Cash and Cash Equivalents	\$ 66,665	\$ 57,799	\$ 26,476	\$ 73,177	\$ 1,516
Investments	-	-	-	-	-
Due from Other Funds	22,662	4,668	814	937	-
Due from Component Units	956	4	-	-	-
Investment Sales Receivable	-	-	-	-	-
Accounts Receivable	-	12	371	2	-
Due from Other Governments	15,493	92,677	27,659	-	-
Taxes Receivable	250	39	-	172,528	13,670
Interest and Dividends Receivable	-	-	-	-	-
Securities Lending Collateral	2,238	2,472	974	3,154	65
Inventory	-	-	268	-	-
Restricted Assets	-	-	7,230	-	-
Other Assets	-	-	-	-	-
TOTAL ASSETS	\$ 108,264	\$ 157,671	\$ 63,792	\$ 249,798	\$ 15,251
LIABILITIES AND FUND BALANCES					
Liabilities					
Warrants Payable	\$ 150	\$ 16,744	\$ 12,747	\$ 113	\$ 0
Investment Purchases Payable	-	-	-	-	-
Salaries Payable	18,151	3,827	1,127	-	-
Due to Other Funds	10,055	607	5,626	1,860	-
Due to Component Units	69	20	8	147,997	-
Accounts Payable	33,062	4,563	9,589	34	-
Due to Other Governments	94	88,763	12,172	96,626	-
Securities Lending Obligation	2,238	2,472	974	3,154	65
Deferred Revenue	-	-	148	14	-
Amounts Held in Custody for Others	-	-	-	-	-
Compensated Absences	105	21	1	-	-
Total Liabilities	63,924	117,017	42,392	249,798	65
Fund Balances					
Reserved for:					
Encumbrances	4,804	7,168	158	-	-
Inventory	-	-	268	-	-
Restricted Assets	-	-	7,230	-	-
Long-term Receivables	-	-	-	-	-
Unreserved, Undesignated	39,536	33,486	13,744	-	15,186
Total Fund Balances	44,340	40,654	21,400	0	15,186
TOTAL LIABILITIES AND FUND BALANCES	\$ 108,264	\$ 157,671	\$ 63,792	\$ 249,798	\$ 15,251

Rehabilitation Services	Public School Fund	Children First Trust	Revenue Administrative	Industrial Relations	Conservation and Natural Resources	Other Special Revenue Funds	Totals
\$ 26,847	\$ 5,838	\$ 20,710	\$ 13,213	\$ 19,755	\$ 68,145	\$ 615,383	\$ 995,524
-	-	-	-	3,502	16	469,242	472,760
1,747	-	32	9	1,326	650	24,906	57,751
-	-	-	5	-	-	1,944	2,909
-	-	-	-	-	-	845	845
164	-	6	2	130	5,860	3,275	9,822
-	-	-	-	4	-	21,899	157,732
-	128,020	-	8,033	-	275	4,009	326,824
-	-	-	-	1	-	3,019	3,020
1,147	252	893	570	844	2,937	23,522	39,068
165	-	-	-	-	584	149	1,166
-	-	-	-	-	-	54,518	61,748
-	-	-	-	-	-	37	37
\$ 30,070	\$ 134,110	\$ 21,641	\$ 21,832	\$ 25,562	\$ 78,467	\$ 1,222,748	\$ 2,129,206
\$ 142	\$ 0	\$ 7	\$ 319	\$ 21	\$ 206	\$ 8,824	\$ 39,273
-	-	-	-	-	-	681	681
3,169	-	73	6,852	5,009	4,756	18,292	61,256
1,576	-	569	1,648	1,696	1,107	21,720	46,464
231	-	305	-	7	1	918	149,556
9,226	-	2,416	2,992	916	5,638	49,776	118,212
268	-	95	8	26	336	11,871	210,259
1,147	252	893	570	844	2,937	23,522	39,068
-	106,910	-	-	-	6	15,246	122,324
-	-	-	55	-	202	56,468	56,725
19	-	-	13	75	5	480	719
15,778	107,162	4,358	12,457	8,594	15,194	207,798	844,537
908	-	1	3,424	471	4,889	21,293	43,116
165	-	-	-	-	584	149	1,166
-	-	-	-	-	-	54,518	61,748
-	-	-	-	-	-	208	208
13,219	26,948	17,282	5,951	16,497	57,800	938,782	1,178,431
14,292	26,948	17,283	9,375	16,968	63,273	1,014,950	1,284,669
\$ 30,070	\$ 134,110	\$ 21,641	\$ 21,832	\$ 25,562	\$ 78,467	\$ 1,222,748	\$ 2,129,206

STATE OF ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Nonmajor Special Revenue Funds

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	Public Health Department	Education Department	Economic and Community Affairs	Revenues Allocated to Other Governments	Other Medicaid Funds
REVENUES					
Taxes	\$ 3,012	\$ 3,496	\$ 0	\$ 706,714	\$ 282,950
Licenses, Permits, and Fees	30,753	941	-	30,758	-
Fines, Forfeits, and Court Settlements	-	4	1,981	96,446	-
Investment Income	-	2	11	-	-
Federal Grants and Reimbursements	429,472	1,281,091	342,278	2,346	-
Other Revenues	47,357	10,168	2,933	-	36,926
Total Revenues	510,594	1,295,702	347,203	836,264	319,876
EXPENDITURES					
Current:					
Economic Development and Regulation	-	-	-	120,621	-
Education and Cultural Resources	-	1,240,872	-	120,393	-
Natural Resources and Recreation	-	-	-	1,835	-
Health	678,031	-	-	192,188	270,408
Social Services	-	47,112	23,839	-	-
Protection of Persons and Property	-	-	30,486	766	-
Transportation	-	-	-	211,331	-
General Government	-	-	262,555	225,338	-
Debt Service - Principal Retirement	536	-	-	-	-
Debt Service - Interest and Other Charges	657	-	-	-	-
Total Expenditures	679,224	1,287,984	316,880	872,472	270,408
Excess (Deficiency) of					
Revenues Over (Under) Expenditures	(168,630)	7,718	30,323	(36,208)	49,468
OTHER FINANCING SOURCES (USES)					
Transfers In	206,220	2,356	10,202	36,208	1
Other Debt Issued	-	-	-	-	-
Insurance Recovery Proceeds	-	-	-	-	-
Transfers Out	(38,515)	(2,152)	(39,920)	-	(38,051)
Total Other Financing Sources (Uses)	167,705	204	(29,718)	36,208	(38,050)
Net Change in Fund Balances	(925)	7,922	605	0	11,418
Fund Balances, October 1, 2009, as Restated	45,265	32,732	20,812	-	3,768
Increase (Decrease) in Inventory	-	-	(17)	-	-
Fund Balances, September 30, 2010	\$ 44,340	\$ 40,654	\$ 21,400	\$ 0	\$ 15,186

Rehabilitation Services	Public School Fund	Children First Trust	Revenue Administrative	Industrial Relations	Conservation and Natural Resources	Other Special Revenue Funds	Totals
\$ 0	\$ 168,363	\$ 0	\$ 118,037	\$ 5,173	\$ 9,889	\$ 53,399	\$ 1,351,033
-	-	-	3,658	251	26,908	268,313	361,582
1,400	-	-	-	46	1,111	21,776	122,764
-	-	-	-	98	760	25,460	26,331
68,495	-	12	924	69,858	18,101	567,570	2,780,147
1,363	4,952	48,958	5,750	2,852	46,984	155,297	363,540
71,258	173,315	48,970	128,369	78,278	103,753	1,091,815	5,005,397
-	-	-	-	-	-	75,046	195,667
7,938	195,104	-	-	-	-	159,580	1,723,887
-	-	-	-	-	108,450	67,350	177,635
-	-	5,405	-	-	-	113,668	1,259,700
89,298	-	18,198	-	68,266	-	99,645	346,358
-	-	9,506	-	10,916	-	572,232	623,906
-	-	-	-	-	-	26,122	237,453
-	-	3,780	119,511	-	-	105,871	717,055
-	-	-	4	-	-	609	1,149
13	533	-	1	-	-	1,499	2,703
97,249	195,637	36,889	119,516	79,182	108,450	1,221,622	5,285,513
(25,991)	(22,322)	12,081	8,853	(904)	(4,697)	(129,807)	(280,116)
27,874	538	-	7,029	11,149	16,593	422,867	741,037
-	-	-	-	-	-	62,136	62,136
10	-	-	-	-	304	813	1,127
(859)	-	(12,107)	(12,747)	(5,997)	(14,343)	(171,787)	(336,478)
27,025	538	(12,107)	(5,718)	5,152	2,554	314,029	467,822
1,034	(21,784)	(26)	3,135	4,248	(2,143)	184,222	187,706
13,221	48,732	17,309	6,240	12,720	65,394	830,746	1,096,939
37	-	-	-	-	22	(18)	24
\$ 14,292	\$ 26,948	\$ 17,283	\$ 9,375	\$ 16,968	\$ 63,273	\$ 1,014,950	\$ 1,284,669

STATE OF ALABAMA

COMBINING BALANCE SHEET
Other Nonmajor Special Revenue Funds

September 30, 2010

(Amounts in Thousands)

	Corrections	Environmental Management	Professional and Occupational Boards	Emergency Management	Educational Television Foundation Authority
ASSETS					
Cash and Cash Equivalents	\$ 61,921	\$ 58,411	\$ 43,952	\$ 7,366	\$ 727
Investments	200	8,532	7,634	-	3,542
Due from Other Funds	3,031	1,715	74	205	-
Due from Component Units	-	1,814	1	-	-
Investment Sales Receivable	-	-	-	-	-
Accounts Receivable	599	-	227	1	1,454
Due from Other Governments	119	208	-	15,470	-
Taxes Receivable	-	-	-	-	-
Interest and Dividends Receivable	-	-	-	-	-
Securities Lending Collateral	2,567	1,624	1,310	318	-
Inventory	-	-	-	-	-
Restricted Assets	53,625	-	-	-	630
Other Assets	-	-	-	-	37
TOTAL ASSETS	\$ 122,062	\$ 72,304	\$ 53,198	\$ 23,360	\$ 6,390
LIABILITIES AND FUND BALANCES					
Warrants Payable	\$ 0	\$ 696	\$ 41	\$ 1,014	\$ 0
Investment Purchases Payable	-	-	-	-	-
Salaries Payable	143	3,654	1,337	328	-
Due to Other Funds	886	9,988	391	158	-
Due to Component Units	-	859	2	-	-
Accounts Payable	5,138	11,197	2,245	251	1,025
Due to Other Governments	47	890	1	28	-
Securities Lending Obligation	2,567	1,624	1,310	318	-
Deferred Revenue	-	-	13,664	-	63
Amounts Held in Custody for Others	-	26	871	-	-
Compensated Absences	-	108	15	3	-
Total Liabilities	8,781	29,042	19,877	2,100	1,088
Fund Balances					
Reserved for:					
Encumbrances	420	6,411	806	263	-
Inventory	-	-	-	-	-
Restricted Assets	53,625	-	-	-	630
Long-term Receivables	-	208	-	-	-
Unreserved, Undesignated	59,236	36,643	32,515	20,997	4,672
Total Fund Balances	113,281	43,262	33,321	21,260	5,302
TOTAL LIABILITIES AND FUND BALANCES	\$ 122,062	\$ 72,304	\$ 53,198	\$ 23,360	\$ 6,390

Public Health Care Authority	Forever Wild Trust	State Parks Improvement Corporation	Alabama Capital Improvement Trust	County and Municipal Capital Improvement	University Stabilization	Miscellaneous Special Revenue Funds	Totals
\$ 6,705	\$ 10,544	\$ 0	\$ 4,935	\$ 9,461	\$ 0	\$ 411,361	\$ 615,383
150	-	-	3,114	389,362	-	56,708	469,242
-	-	-	-	-	-	19,881	24,906
-	-	-	-	-	-	129	1,944
-	-	-	-	845	-	-	845
-	-	-	-	-	-	994	3,275
137	23	-	-	-	-	5,942	21,899
-	-	-	-	-	-	4,009	4,009
1	-	-	10	3,008	-	-	3,019
-	455	-	213	407	-	16,628	23,522
-	-	-	-	-	-	149	149
-	-	-	-	-	-	263	54,518
-	-	-	-	-	-	-	37
\$ 6,993	\$ 11,022	\$ 0	\$ 8,272	\$ 403,083	\$ 0	\$ 516,064	\$ 1,222,748
\$ 0	\$ 3,516	\$ 0	\$ 294	\$ 0	\$ 0	\$ 3,263	\$ 8,824
-	-	-	-	675	-	6	681
-	-	-	-	-	-	12,830	18,292
-	528	-	562	-	-	9,207	21,720
-	-	-	-	-	-	57	918
143	3	-	-	-	-	29,774	49,776
-	21	-	-	-	-	10,884	11,871
-	455	-	213	407	-	16,628	23,522
-	-	-	4	1,058	-	457	15,246
-	-	-	-	-	-	55,571	56,468
-	-	-	-	-	-	354	480
143	4,523	0	1,073	2,140	0	139,031	207,798
-	-	-	-	-	-	13,393	21,293
-	-	-	-	-	-	149	149
-	-	-	-	-	-	263	54,518
-	-	-	-	-	-	-	208
6,850	6,499	-	7,199	400,943	-	363,228	938,782
6,850	6,499	0	7,199	400,943	0	377,033	1,014,950
\$ 6,993	\$ 11,022	\$ 0	\$ 8,272	\$ 403,083	\$ 0	\$ 516,064	\$ 1,222,748

STATE OF ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Other Nonmajor Special Revenue Funds

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	Corrections	Environmental Management	Professional and Occupational Boards	Emergency Management	Educational Television Foundation Authority
REVENUES					
Taxes	\$ 0	\$ 8,475	\$ 0	\$ 0	\$ 0
Licenses, Permits, and Fees	5,196	65,774	33,310	-	-
Fines, Forfeits, and Court Settlements	2,007	1,567	8,165	-	-
Investment Income	8	22	604	-	186
Federal Grants and Reimbursements	158,691	28,296	303	53,873	-
Other Revenues	20,945	22,430	1,463	38,092	9,759
Total Revenues	186,847	126,564	43,845	91,965	9,945
EXPENDITURES					
Current:					
Economic Development and Regulation	-	-	1,716	-	-
Education and Cultural Resources	-	-	-	-	9,723
Natural Resources and Recreation	-	-	-	-	-
Health	-	105,531	-	-	-
Social Services	-	-	-	-	-
Protection of Persons and Property	168,167	-	48,004	86,012	-
Transportation	-	-	-	-	-
General Government	-	-	30	-	-
Debt Service - Principal Retirement	-	409	-	-	-
Debt Service - Interest and Other Charges	314	1,119	-	-	-
Total Expenditures	168,481	107,059	49,750	86,012	9,723
Excess (Deficiency) of					
Revenues Over (Under) Expenditures	18,366	19,505	(5,905)	5,953	222
OTHER FINANCING SOURCES (USES)					
Transfers In	21,245	10,370	1,021	7,493	-
Other Debt Issued	62,025	-	-	-	-
Insurance Recovery Proceeds	304	-	-	-	-
Transfers Out	-	(4,321)	(4,021)	(1,275)	(443)
Total Other Financing Sources (Uses)	83,574	6,049	(3,000)	6,218	(443)
Net Change in Fund Balances	101,940	25,554	(8,905)	12,171	(221)
Fund Balances, October 1, 2009, as Restated	11,341	17,708	42,226	9,089	5,523
Increase (Decrease) in Inventory	-	-	-	-	-
Fund Balances, September 30, 2010	\$ 113,281	\$ 43,262	\$ 33,321	\$ 21,260	\$ 5,302

Public Health Care Authority	Forever Wild Trust	State Parks Improvement Corporation	Alabama Capital Improvement Trust	County and Municipal Capital Improvement	University Stabilization	Miscellaneous Special Revenue Funds	Totals
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 44,924	\$ 53,399
-	245	-	-	-	-	163,788	268,313
-	-	-	-	-	-	10,037	21,776
17	15	4	(182)	24,352	-	434	25,460
-	2,314	-	-	-	91,945	232,148	567,570
-	-	-	430	-	-	62,178	155,297
17	2,574	4	248	24,352	91,945	513,509	1,091,815
-	-	-	1,460	-	-	71,870	75,046
-	-	-	-	-	91,945	57,912	159,580
-	38,538	2,531	-	-	-	26,281	67,350
4,918	-	-	1,998	-	-	1,221	113,668
-	-	-	-	-	-	99,645	99,645
-	-	-	-	-	-	270,049	572,232
-	-	-	-	-	-	26,122	26,122
-	-	-	14	208	-	105,619	105,871
-	-	-	-	-	-	200	609
-	-	-	-	-	-	66	1,499
4,918	38,538	2,531	3,472	208	91,945	658,985	1,221,622
(4,901)	(35,964)	(2,527)	(3,224)	24,144	0	(145,476)	(129,807)
3,478	10,139	-	49,313	52,720	-	267,088	422,867
-	-	-	-	-	-	111	62,136
76	-	-	-	-	-	433	813
(456)	(6,531)	(1,143)	(58,660)	(10,276)	-	(84,661)	(171,787)
3,098	3,608	(1,143)	(9,347)	42,444	0	182,971	314,029
(1,803)	(32,356)	(3,670)	(12,571)	66,588	0	37,495	184,222
8,653	38,855	3,670	19,770	334,355	-	339,556	830,746
-	-	-	-	-	-	(18)	(18)
\$ 6,850	\$ 6,499	\$ 0	\$ 7,199	\$ 400,943	\$ 0	\$ 377,033	\$ 1,014,950



Nonmajor Debt Service Funds

Nonmajor Debt Service Funds account for the accumulation of resources which are used for the payment of general governmental debt principal and interest.

Corrections Institution Finance Authority

Accounts for the accumulation of resources used to pay the interest and principal on debt issued by the Corrections Institution Finance Authority for the purpose of financing prison construction.

Public Health Care Authority

Accounts for the accumulation of resources used to pay the interest and principal on debt issued by the Authority for the purpose of financing the construction of public health facilities.

Judicial Building Authority

Accounts for the accumulation of resources used to pay the interest and principal on debt issued by the Authority for the purpose of financing the construction of facilities used by the unified judicial system.

General Obligation Bonds

Accounts for the accumulation of resources used to pay general obligation interest and principal on debt issued by the State for the purpose of financing a wide variety of construction projects.

Federal Aid Highway Finance Authority

Accounts for the accumulation of resources used to pay the interest and principal on debt issued by the Authority for the purpose of financing road and bridge construction.

STATE OF ALABAMA

COMBINING BALANCE SHEET
Nonmajor Debt Service Funds

September 30, 2010

(Amounts in Thousands)

	Corrections Institution Finance Authority	Public Health Care Authority	Judicial Building Authority	General Obligation Bonds
ASSETS				
Cash and Cash Equivalents	\$ 461	\$ 0	\$ 0	\$ 48
Investments	-	300	-	-
TOTAL ASSETS	\$ 461	\$ 300	\$ 0	\$ 48
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 3
Total Liabilities	0	0	0	3
Fund Balances				
Unreserved, Designated for Debt Service	461	300	-	45
Total Fund Balances	461	300	0	45
TOTAL LIABILITIES AND FUND BALANCES	\$ 461	\$ 300	\$ 0	\$ 48

Federal Aid Highway Finance Authority	Totals
\$ 0	\$ 509
-	300
<u>\$ 0</u>	<u>\$ 809</u>

\$ 0	\$ 3
<u>0</u>	<u>3</u>

-	806
<u>0</u>	<u>806</u>

<u>\$ 0</u>	<u>\$ 809</u>
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STATE OF ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Nonmajor Debt Service Funds

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	Corrections Institution Finance Authority	Public Health Care Authority	Judicial Building Authority	General Obligation Bonds
REVENUES				
Investment Income	\$ 0	\$ 155	\$ 0	\$ 0
Other Revenues	2,138	-	-	-
Total Revenues	2,138	155	0	0
EXPENDITURES				
Debt Service - Principal Retirement	1,685	2,456	2,680	24,485
Debt Service - Interest and Other Charges	453	3,891	1,293	35,653
Total Expenditures	2,138	6,347	3,973	60,138
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(6,192)	(3,973)	(60,138)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	8,531	3,973	64,338
Refunding Bonds Issued	-	-	-	112,030
Debt Issuance Premiums	-	-	-	10,840
Transfers Out	-	(2,663)	-	-
Payments to Refunded Bond Escrow Agent	-	-	-	(74,415)
Current Refunding to Bondholders	-	-	-	(52,610)
Total Other Financing Sources (Uses)	0	5,868	3,973	60,183
Net Change in Fund Balances	0	(324)	0	45
Fund Balances, October 1, 2009, as Restated	461	624	-	-
Fund Balances, September 30, 2010	\$ 461	\$ 300	\$ 0	\$ 45

Federal Aid Highway Finance Authority	Totals
\$ 0	\$ 155
-	2,138
0	2,293
13,010	44,316
5,890	47,180
18,900	91,496
(18,900)	(89,203)
18,900	95,742
-	112,030
-	10,840
-	(2,663)
-	(74,415)
-	(52,610)
18,900	88,924
0	(279)
-	1,085
\$ 0	\$ 806



Nonmajor Capital Projects Funds

Nonmajor Capital Projects Funds account for the acquisition, construction, and improvement of major general governmental capital assets.

General Obligation Bond Projects

Accounts for the proceeds of general obligation debt issued by the State for a wide variety of construction projects involving waterways, parks, roads, prisons, mental hospitals, research labs, and other buildings.

State Parks Improvement Corporation

Accounts for the proceeds of debt issued by the State for the purpose of financing renovations to the State Parks System.

Public Health Care Authority Capital

Accounts for the proceeds of debt issued by the Authority for the purpose of financing the construction of public health facilities.

Judicial Building Authority Capital Projects

Accounts for proceeds of debt issued by the authority for the purpose of acquiring, constructing, and equipping judicial facilities.

Other Capital Project Funds

Accounts for the proceeds of all other debt issued by the State to fund capital projects.

STATE OF ALABAMA

COMBINING BALANCE SHEET
Nonmajor Capital Projects Funds

September 30, 2010

(Amounts in Thousands)

	General Obligation Bond Projects	State Parks Improvement Corporation	Public Health Care Authority	Judicial Building Authority
ASSETS				
Cash and Cash Equivalents	\$ 133,046	\$ 0	\$ 15,842	\$ 6,643
Investments	-	-	70	-
Interest and Dividends Receivable	-	-	2	-
Securities Lending Collateral	-	-	-	-
TOTAL ASSETS	\$ 133,046	\$ 0	\$ 15,914	\$ 6,643
LIABILITIES AND FUND BALANCES				
Liabilities				
Warrants Payable	\$ 0	\$ 0	\$ 0	\$ 6
Accounts Payable	837	-	1,491	-
Due to Other Governments	12	-	-	-
Securities Lending Obligation	-	-	-	-
Total Liabilities	849	0	1,491	6
Fund Balances				
Reserved for:				
Unreserved, Designated for Capital Projects	132,197	-	14,423	6,637
Total Fund Balances	132,197	0	14,423	6,637
TOTAL LIABILITIES AND FUND BALANCES	\$ 133,046	\$ 0	\$ 15,914	\$ 6,643

Other Capital Project Funds	Totals
\$ 61	\$ 155,592
-	70
-	2
3	3
<u>\$ 64</u>	<u>\$ 155,667</u>

\$ 0	\$ 6
-	2,328
-	12
3	3
<u>3</u>	<u>2,349</u>

61	153,318
<u>61</u>	<u>153,318</u>
<u>\$ 64</u>	<u>\$ 155,667</u>

STATE OF ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Nonmajor Capital Projects Funds

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	General Obligation Bond Projects	State Parks Improvement Corporation	Public Health Care Authority	Judicial Building Authority
REVENUES				
Investment Income	\$ 212	\$ 18	\$ 0	\$ 17
Other Revenues	282	-	-	-
Total Revenues	494	18	0	17
EXPENDITURES				
Capital Outlay	33,821	2,018	3,471	3,185
Debt Service - Interest and Other Charges	816	-	-	-
Total Expenditures	34,637	2,018	3,471	3,185
Excess (Deficiency) of Revenues Over (Under) Expenditures	(34,143)	(2,000)	(3,471)	(3,168)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	1,819	-
Bonds Issued	110,000	-	-	-
Debt Issuance Premiums	9,906	-	-	-
Transfers Out	(8)	(10,552)	-	-
Total Other Financing Sources (Uses)	119,898	(10,552)	1,819	0
Net Change in Fund Balances	85,755	(12,552)	(1,652)	(3,168)
Fund Balances, October 1, 2009, as Restated	46,442	12,552	16,075	9,805
Fund Balances, September 30, 2010	\$ 132,197	\$ 0	\$ 14,423	\$ 6,637

Other Capital Project Funds	Totals
\$ 0	\$ 247
-	282
<u>0</u>	<u>529</u>
30	42,525
-	816
<u>30</u>	<u>43,341</u>
(30)	(42,812)
-	1,819
-	110,000
-	9,906
-	(10,560)
<u>0</u>	<u>111,165</u>
(30)	68,353
<u>91</u>	<u>84,965</u>
<u>\$ 61</u>	<u>\$ 153,318</u>



Nonmajor Permanent Funds

Nonmajor Permanent Funds report resources that are legally restricted so that only earnings, not principal, may be used for purposes that support the State's governmental programs.

Marine, Game and Fish Endowment

Invests the proceeds of lifetime hunting and fishing licenses and uses the investment income to preserve, protect, propagate, and develop wildlife within the State.

Alabama Research Institute

Is a trust fund which awards research grants to State universities to promote science and technology.

Senior Services Trust

Invests a portion of the proceeds from the tobacco settlement in order to accumulate money to expand programs benefiting elderly citizens.

Other Permanent Funds

Accounts for several small permanent funds which further educational, health, and social programs.

STATE OF ALABAMA

COMBINING BALANCE SHEET
Nonmajor Permanent Funds

September 30, 2010

(Amounts in Thousands)

	Marine, Game, and Fish Endowment	Alabama Research Institute	Senior Services Trust	Other Permanent Funds	Totals
ASSETS					
Cash and Cash Equivalents	\$ 82	\$ 44	\$ 0	\$ 12,985	\$ 13,111
Investments	18,680	15,790	22,125	99	56,694
Accounts Receivable	161	-	-	-	161
Interest and Dividends Receivable	-	4	188	-	192
Mortgages, Notes, and Loans Receivable	-	-	-	61	61
Securities Lending Collateral	3,756	2	4,381	32	8,171
TOTAL ASSETS	\$ 22,679	\$ 15,840	\$ 26,694	\$ 13,177	\$ 78,390
LIABILITIES AND FUND BALANCES					
Liabilities					
Due to Other Funds	\$ 0	\$ 6	\$ 0	\$ 0	\$ 6
Accounts Payable	30	21	1	-	52
Due to Other Governments	-	3	-	-	3
Securities Lending Obligation	3,756	2	4,381	32	8,171
Total Liabilities	3,786	32	4,382	32	8,232
Fund Balances					
Reserved for:					
Permanent Trust Principal	18,893	11,500	2,340	13,051	45,784
Unreserved, Undesignated	-	4,308	19,972	94	24,374
Total Fund Balances	18,893	15,808	22,312	13,145	70,158
TOTAL LIABILITIES AND FUND BALANCES	\$ 22,679	\$ 15,840	\$ 26,694	\$ 13,177	\$ 78,390

STATE OF ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Nonmajor Permanent Funds

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	Marine, Game, and Fish Endowment	Alabama Research Institute	Senior Services Trust	Other Permanent Funds	Totals
REVENUES					
Licenses, Permits, and Fees	\$ 816	\$ 0	\$ 0	\$ 409	\$ 1,225
Investment Income	835	1,036	1,787	13	3,671
Other Revenues	-	-	1,456	4	1,460
Total Revenues	1,651	1,036	3,243	426	6,356
EXPENDITURES					
Current:					
Education and Cultural Resources	-	757	-	-	757
Social Services	-	-	14	-	14
Total Expenditures	0	757	14	0	771
Excess (Deficiency) of					
Revenues Over (Under) Expenditures	1,651	279	3,229	426	5,585
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	971	687	1,658
Transfers Out	-	(5)	(691)	-	(696)
Total Other Financing Sources (Uses)	0	(5)	280	687	962
Net Change in Fund Balances	1,651	274	3,509	1,113	6,547
Fund Balances, October 1, 2009, as Restated	17,242	15,534	18,803	12,032	63,611
Fund Balances, September 30, 2010	\$ 18,893	\$ 15,808	\$ 22,312	\$ 13,145	\$ 70,158



Governmental Funds Supplementary Information

Governmental Funds Supplementary Information includes non-GAAP basis schedules demonstrating compliance with the legally adopted budget and summaries of governmental fund revenues in the State Treasury.

STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES All Agencies and Appropriations, *Non-GAAP, Budget Basis*

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
EXPENDITURES:			
<u>Administrative Office of Courts</u>			
Administrative Services	5,261	5,166	95
Alabama Sentencing Commission	518	510	8
Court Operations	137,582	137,286	296
Drug Court	3,165	3,095	70
Juvenile Probation Officer Services	16,513	16,278	235
TOTAL Administrative Office of Courts	163,039	162,335	704
<u>Agriculture and Industries</u>			
Administrative Services	3,260	3,135	125
Agricultural Development Services	1,357	1,303	54
Agricultural Inspection Services	6,852	6,613	239
Lab Analysis and Disease Control	3,696	3,563	133
TOTAL Agriculture and Industries	15,165	14,614	551
<u>Attorney General</u>			
Fair Marketing Practices: Consumer Protection	574	560	14
Legal Advice and Legal Service: Attorney General - Operations	10,849	9,605	1,244
Legal Advice and Legal Service: Consumer Utility Fund	239	233	6
TOTAL Attorney General	11,662	10,398	1,264
<u>Auditor</u>			
Fiscal Management	775	704	71
TOTAL Auditor	775	704	71
<u>Commission on Higher Education</u>			
Alabama Teacher Recruitment Incentive	-	-	-
Planning and Coordination Services	-	-	-
Student Financial Aid	-	-	-
Support - Other Educational Activities	-	-	-
Support of State Universities	-	-	-
TOTAL Commission on Higher Education	-	-	-
<u>Corrections</u>			
Administration Service and Logistical Support	13,622	13,349	273
Correctional Industries	-	-	-
Institutional Service Corrections	255,554	250,986	4,568
TOTAL Corrections	269,176	264,335	4,841
<u>Economic and Community Affairs</u>			
Administrative Support Service	292	203	89
Energy Management	590	88	502
Law Enforcement Planning and Development	649	539	110
Planning	9,856	6,883	2,973
Skills Enhancement/Employment Opportunities	868	662	206
Surplus Property	450	73	377
Water Resources	3,496	3,097	399
TOTAL Economic and Community Affairs	16,201	11,545	4,656

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	-	-	-	5,261	5,166	95
-	-	-	-	-	-	518	510	8
-	-	-	22,851	18,603	4,248	160,433	155,889	4,544
-	-	-	-	-	-	3,165	3,095	70
-	-	-	5,377	3,830	1,547	21,890	20,108	1,782
-	-	-	28,228	22,433	5,795	191,267	184,768	6,499
-	-	-	3,599	3,038	561	6,859	6,173	686
-	-	-	1,898	1,063	835	3,255	2,366	889
-	-	-	12,780	9,564	3,216	19,632	16,177	3,455
-	-	-	5,747	4,903	844	9,443	8,466	977
-	-	-	24,024	18,568	5,456	39,189	33,182	6,007
-	-	-	-	-	-	574	560	14
-	-	-	9,027	8,444	583	19,876	18,049	1,827
-	-	-	-	-	-	239	233	6
-	-	-	9,027	8,444	583	20,689	18,842	1,847
-	-	-	100	100	-	875	804	71
-	-	-	100	100	-	875	804	71
1,381	296	1,085	-	-	-	1,381	296	1,085
2,985	2,467	518	-	-	-	2,985	2,467	518
6,273	5,934	339	3,015	2,627	388	9,288	8,561	727
2,695	2,557	138	1,635	1,287	348	4,330	3,844	486
5,444	5,444	-	75	-	75	5,519	5,444	75
18,778	16,698	2,080	4,725	3,914	811	23,503	20,612	2,891
-	-	-	6,194	6,193	1	19,816	19,542	274
-	-	-	25,770	16,110	9,660	25,770	16,110	9,660
-	-	-	153,877	149,763	4,114	409,431	400,749	8,682
-	-	-	185,841	172,066	13,775	455,017	436,401	18,616
-	-	-	10,484	9,856	628	10,776	10,059	717
-	-	-	66,065	18,385	47,680	66,655	18,473	48,182
-	-	-	66,564	36,655	29,909	67,213	37,194	30,019
-	-	-	288,000	223,616	64,384	297,856	230,499	67,357
-	-	-	56,724	49,384	7,340	57,592	50,046	7,546
-	-	-	2,200	1,880	320	2,650	1,953	697
-	-	-	9,196	5,672	3,524	12,692	8,769	3,923
-	-	-	499,233	345,448	153,785	515,434	356,993	158,441

Continued on next page...

STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<u>Education</u>			
Administrative Services	-	-	-
Alabama Science in Motion	-	-	-
At-Risk Student Program	-	-	-
Board of Adjustment	-	-	-
Disability Determination for Social Security	-	-	-
Endowment Interest Program-PSF	-	-	-
Financial Assistance	-	-	-
Foundation Program	-	-	-
Information Technology Services	-	-	-
School Nurses Program	-	-	-
Transportation Program	-	-	-
TOTAL Education	-	-	-
<u>Emergency Management Agency</u>			
Readiness and Recovery	7,715	5,631	2,084
TOTAL Emergency Management Agency	7,715	5,631	2,084
<u>Examiners of Public Accounts</u>			
Legislative Support - Audit Service	12,009	11,888	121
TOTAL Examiners of Public Accounts	12,009	11,888	121
<u>Finance</u>			
Administrative Support Service	-	-	-
Administrative Support Service: Director's Office	903	379	524
Executive Planning: Executive Planning	427	234	193
Fiscal Management	-	-	-
Fiscal Management: Budget Office	1,368	956	412
Fiscal Management: Comptroller's Office	5,140	4,781	359
Fiscal Management: Purchasing	1,993	1,635	358
General Services	-	-	-
General Services: Alabama Building Renovation Finance Authority	-	-	-
General Services: Capital Complex Maintenance and Repair	-	-	-
General Services: Capitol	1,105	887	218
General Services: Space Management	1,370	-	1,370
Information Services	-	-	-
Legal Management	-	-	-
Legal Management: Legal Division	127	115	12
Risk Management	-	-	-
SMART Business Systems	-	-	-
TOTAL Finance	12,433	8,987	3,446
<u>Governor</u>			
Criminal Investigation: Law Enforcement Fund	70	6	64
Executive Direction: Governor's Contingency Fund	316	316	-
Executive Direction: Governor's Mansion	348	348	-
Executive Direction: Governor's Office	3,706	3,202	504
Executive Direction: Governor's Proclamation Expense	607	77	530
Executive Direction: National Governors' Conference	196	191	5
TOTAL Governor	5,243	4,140	1,103

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
161,768	155,475	6,293	91,942	35,297	56,645	253,710	190,772	62,938
-	-	-	2,720	2,097	623	2,720	2,097	623
22,191	22,191	-	-	-	-	22,191	22,191	-
642	642	-	-	-	-	642	642	-
-	-	-	85,737	47,443	38,294	85,737	47,443	38,294
-	-	-	533	533	-	533	533	-
37,497	36,377	1,120	1,454,220	1,006,567	447,653	1,491,717	1,042,944	448,773
2,982,088	2,982,088	-	374,434	369,374	5,060	3,356,522	3,351,462	5,060
3,624	3,624	-	-	-	-	3,624	3,624	-
30,573	30,573	-	-	-	-	30,573	30,573	-
271,482	271,482	-	-	-	-	271,482	271,482	-
3,509,865	3,502,452	7,413	2,009,586	1,461,311	548,275	5,519,451	4,963,763	555,688
-	-	-	166,455	87,376	79,079	174,170	93,007	81,163
-	-	-	166,455	87,376	79,079	174,170	93,007	81,163
6,742	6,741	1	5,754	1,837	3,917	24,505	20,466	4,039
6,742	6,741	1	5,754	1,837	3,917	24,505	20,466	4,039
-	-	-	3,747	2,609	1,138	3,747	2,609	1,138
-	-	-	401	401	-	1,304	780	524
-	-	-	99	99	-	526	333	193
-	-	-	3,600	86	3,514	3,600	86	3,514
-	-	-	-	-	-	1,368	956	412
-	-	-	-	-	-	5,140	4,781	359
-	-	-	-	-	-	1,993	1,635	358
-	-	-	13,613	11,171	2,442	13,613	11,171	2,442
-	-	-	9,120	7,299	1,821	9,120	7,299	1,821
-	-	-	13,456	9,049	4,407	13,456	9,049	4,407
-	-	-	-	-	-	1,105	887	218
-	-	-	-	-	-	1,370	-	1,370
-	-	-	76,886	45,313	31,573	76,886	45,313	31,573
-	-	-	1,581	1,125	456	1,581	1,125	456
-	-	-	-	-	-	127	115	12
-	-	-	8,124	5,356	2,768	8,124	5,356	2,768
-	-	-	9,293	983	8,310	9,293	983	8,310
-	-	-	139,920	83,491	56,429	152,353	92,478	59,875
-	-	-	-	-	-	70	6	64
-	-	-	26	26	-	342	342	-
-	-	-	-	-	-	348	348	-
-	-	-	-	-	-	3,706	3,202	504
-	-	-	-	-	-	607	77	530
-	-	-	-	-	-	196	191	5
-	-	-	26	26	-	5,269	4,166	1,103

Continued on next page...

STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<u>Human Resources</u>			
Human Services	-	-	-
TOTAL Human Resources	-	-	-
<u>Industrial Relations</u>			
Administrative Services	-	-	-
Employment Security	-	-	-
Industrial Safety and Accident Prevention	2,142	2,041	101
Regulation Workers Compensation	-	-	-
Small Business Program	155	31	124
TOTAL Industrial Relations	2,297	2,072	225
<u>Legislature</u>			
Commission to Reduce Poverty	5	-	5
Legislative Operations and Support	29,324	22,858	6,466
TOTAL Legislature	29,329	22,858	6,471
<u>Medicaid Agency</u>			
Medical Assistance Through Medicaid: Administrative Cost	37,193	18,524	18,669
Medical Assistance Through Medicaid: Alternative Care	27,982	25,982	2,000
Medical Assistance Through Medicaid: Family Planning	1,504	213	1,291
Medical Assistance Through Medicaid: Health Support	21,837	19,111	2,726
Medical Assistance Through Medicaid: Hospital Care	90,235	88,778	1,457
Medical Assistance Through Medicaid: Mental Health- Facilities	-	-	-
Medical Assistance Through Medicaid: Mental Health- Other Health Insurance	-	-	-
Medical Assistance Through Medicaid: Mental Health- Waivers	-	-	-
Medical Assistance Through Medicaid: Nursing Home Care	10,481	9,231	1,250
Medical Assistance Through Medicaid: Pharmaceutical	86,516	84,516	2,000
Medical Assistance Through Medicaid: Physician Care	50,385	47,185	3,200
Medical Assistance Through Medicaid: Premiums	23,714	21,714	2,000
TOTAL Medicaid Agency	349,847	315,254	34,593
<u>Mental Health</u>			
Administrative Services	-	-	-
Institutional Treatment and Care of Intellectually Disabled	-	-	-
Institutional Treatment and Care of Mentally Ill	-	-	-
Special Services	-	-	-
Substance Abuse Program	-	-	-
TOTAL Mental Health	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	2,212,247	1,961,426	250,821	2,212,247	1,961,426	250,821
-	-	-	2,212,247	1,961,426	250,821	2,212,247	1,961,426	250,821
-	-	-	17,417	12,603	4,814	17,417	12,603	4,814
-	-	-	80,427	63,820	16,607	80,427	63,820	16,607
-	-	-	7,814	4,162	3,652	9,956	6,203	3,753
-	-	-	5,864	4,548	1,316	5,864	4,548	1,316
-	-	-	-	-	-	155	31	124
-	-	-	111,522	85,133	26,389	113,819	87,205	26,614
-	-	-	-	-	-	5	-	5
-	-	-	-	-	-	29,324	22,858	6,466
-	-	-	-	-	-	29,329	22,858	6,471
-	-	-	178,617	142,633	35,984	215,810	161,157	54,653
-	-	-	405,202	357,762	47,440	433,184	383,744	49,440
-	-	-	56,798	53,538	3,260	58,302	53,751	4,551
-	-	-	229,368	221,948	7,420	251,205	241,059	10,146
-	-	-	2,164,046	1,840,233	323,813	2,254,281	1,929,011	325,270
-	-	-	59,500	34,859	24,641	59,500	34,859	24,641
-	-	-	124,449	123,205	1,244	124,449	123,205	1,244
-	-	-	347,610	275,738	71,872	347,610	275,738	71,872
-	-	-	924,728	862,575	62,153	935,209	871,806	63,403
-	-	-	523,979	451,290	72,689	610,495	535,806	74,689
-	-	-	374,818	346,314	28,504	425,203	393,499	31,704
-	-	-	247,930	244,757	3,173	271,644	266,471	5,173
-	-	-	5,637,045	4,954,852	682,193	5,986,892	5,270,106	716,786
-	-	-	23,118	20,629	2,489	23,118	20,629	2,489
-	-	-	438,084	418,875	19,209	438,084	418,875	19,209
-	-	-	399,169	362,564	36,605	399,169	362,564	36,605
-	-	-	18,870	15,969	2,901	18,870	15,969	2,901
-	-	-	48,948	41,003	7,945	48,948	41,003	7,945
-	-	-	928,189	859,040	69,149	928,189	859,040	69,149

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<u>Postsecondary Education</u>			
Adult Education	-	-	-
Adult Education: Adult Basic Education	-	-	-
Firefighters-Fire College: Firefighters/Fire College	-	-	-
Industrial Training: AIDT/Development Program	-	-	-
Industrial Training: AIDT/Training Program	-	-	-
Industrial Training: AIDT/Workforce Development	-	-	-
Postsecondary Administration	-	-	-
Postsecondary Administration: Postsecondary/Chancellor's	-	-	-
Postsecondary-Prison Education: Prison Education-Operations and Maintenance	-	-	-
Postsecondary-Special Line Items: Mine Safety	-	-	-
Postsecondary-Special Line Items: Special Populations Training	-	-	-
Postsecondary-Technical Colleges	-	-	-
Postsecondary-Technical Colleges: Truck Driver Training-CACC	-	-	-
Postsecondary-Two Year Colleges	-	-	-
Postsecondary-Two Year Colleges: Alabama Technology Network	-	-	-
Postsecondary-Two Year Colleges: Marion Military Institute	-	-	-
Postsecondary-Two Year Colleges: Two Year Colleges/Operations and Maintenance	-	-	-
Postsecondary-Two Year Colleges: Workforce Development	-	-	-
Support of State Universities: Athens State - Operations and Maintenance	-	-	-
Support of State Universities: Fiscal Stabilization Fund	-	-	-
TOTAL Postsecondary Education	-	-	-
<u>Public Health</u>			
Administrative Services	10,042	9,819	223
Children's Health Insurance	-	-	-
Emergency Medical Service Education	-	-	-
Family Practice Rural Health	-	-	-
Public Health Services	36,372	35,561	811
TOTAL Public Health	46,414	45,380	1,034
<u>Public Safety</u>			
Administrative Services	5,593	4,790	803
Police Services	60,065	54,959	5,106
Public Safety Support Services	5,310	4,444	866
Readiness and Recovery	324	-	324
TOTAL Public Safety	71,292	64,193	7,099
<u>Public Service Commission</u>			
Regulatory Services	-	-	-
TOTAL Public Service Commission	-	-	-
<u>Rehabilitation Services</u>			
Direct Client Services-Handicap	28	27	1
TOTAL Rehabilitation Services	28	27	1
<u>Revenue</u>			
State Revenue Administration	92	72	20
TOTAL Revenue	92	72	20

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	12,745	9,862	2,883	12,745	9,862	2,883
15,002	11,545	3,457	-	-	-	15,002	11,545	3,457
3,603	3,603	-	-	-	-	3,603	3,603	-
5,187	5,187	-	-	-	-	5,187	5,187	-
5,148	5,148	-	-	-	-	5,148	5,148	-
23,239	23,239	-	-	-	-	23,239	23,239	-
-	-	-	6,711	2,529	4,182	6,711	2,529	4,182
5,758	5,052	706	58	35	23	5,816	5,087	729
8,221	8,221	-	-	-	-	8,221	8,221	-
240	240	-	-	-	-	240	240	-
5,146	4,858	288	-	-	-	5,146	4,858	288
-	-	-	2,500	1,962	538	2,500	1,962	538
250	250	-	-	-	-	250	250	-
-	-	-	25,159	19,716	5,443	25,159	19,716	5,443
4,755	4,755	-	-	-	-	4,755	4,755	-
5,926	5,926	-	-	-	-	5,926	5,926	-
270,321	270,321	-	17,736	16,123	1,613	288,057	286,444	1,613
6,227	5,174	1,053	5,581	4,389	1,192	11,808	9,563	2,245
10,901	10,901	-	-	-	-	10,901	10,901	-
-	-	-	965	887	78	965	887	78
369,924	364,420	5,504	71,455	55,503	15,952	441,379	419,923	21,456
957	957	-	31,737	20,530	11,207	42,736	31,306	11,430
-	-	-	203,150	169,279	33,871	203,150	169,279	33,871
1,482	1,482	-	-	-	-	1,482	1,482	-
1,561	1,462	99	-	-	-	1,561	1,462	99
11,829	11,816	13	540,009	460,626	79,383	588,210	508,003	80,207
15,829	15,717	112	774,896	650,435	124,461	837,139	711,532	125,607
-	-	-	43,685	36,193	7,492	49,278	40,983	8,295
-	-	-	51,225	31,425	19,800	111,290	86,384	24,906
-	-	-	18,416	13,213	5,203	23,726	17,657	6,069
-	-	-	-	-	-	324	-	324
-	-	-	113,326	80,831	32,495	184,618	145,024	39,594
-	-	-	22,047	16,122	5,925	22,047	16,122	5,925
-	-	-	22,047	16,122	5,925	22,047	16,122	5,925
33,501	33,499	2	133,751	107,532	26,219	167,280	141,058	26,222
33,501	33,499	2	133,751	107,532	26,219	167,280	141,058	26,222
-	-	-	140,468	134,449	6,019	140,560	134,521	6,039
-	-	-	140,468	134,449	6,019	140,560	134,521	6,039

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<u>Secretary of State</u>			
Administrative Support Service	-	-	-
Administrative Support Service: Administration of HAVA	-	-	-
Administrative Support Service: Dist Public Documents	326	292	34
Administrative Support Service: Printing of Acts/Journals	825	807	18
Administrative Support Service: Printing of Codes	180	176	4
Administrative Support Service: Secretary of State	1,788	1,507	281
Special Services: Training Elected Officials	57	8	49
TOTAL Secretary of State	3,176	2,790	386
<u>Transportation</u>			
Aviation Stimulus	-	-	-
General Administration	-	-	-
General Aviation and Aeronautic	-	-	-
Roads and Transit Stimulus	-	-	-
Surface Transportation Improvements	-	-	-
TOTAL Transportation	-	-	-
<u>Treasurer</u>			
Fiscal Management	2,441	2,007	434
TOTAL Treasurer	2,441	2,007	434
<u>Youth Services</u>			
Community Educational Programs	-	-	-
Financial Assistance	-	-	-
Youth Services	9,847	9,585	262
Youth Services Camp Programs	4,233	3,995	238
TOTAL Youth Services	14,080	13,580	500
<u>Colleges and Universities</u>			
Alabama Agricultural and Mechanical University			
Support of State Universities: Agriculture Research Station Fixed Costs	-	-	-
Support of State Universities: Alabama A&M-Agriculture Research Extension State Match	-	-	-
Support of State Universities: Alabama A&M-Miles College	-	-	-
Support of State Universities: Alabama A&M-Operations and Maintenance	-	-	-
Support of State Universities: Fiscal Stabilization Fund	-	-	-
Support of State Universities: Urban Affairs and Non-Traditional Program	-	-	-
Total Alabama Agricultural and Mechanical University	-	-	-
Alabama Institute for the Deaf and Blind			
Alabama Institute for the Deaf and Blind- Adult Programs	-	-	-
Alabama Institute for the Deaf and Blind- Children and Youth Programs	-	-	-
Alabama Institute for the Deaf and Blind- Industries for the Blind	-	-	-
Total Alabama Institute for the Deaf and Blind	-	-	-
Alabama State University			
Support of State Universities: Alabama State University-Operations and Maintenance	-	-	-
Support of State Universities: Fiscal Stabilization Fund	-	-	-
Total Alabama State University	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	3,827	1,733	2,094	3,827	1,733	2,094
-	-	-	15,400	1,073	14,327	15,400	1,073	14,327
-	-	-	-	-	-	326	292	34
-	-	-	-	-	-	825	807	18
-	-	-	-	-	-	180	176	4
-	-	-	611	376	235	2,399	1,883	516
-	-	-	-	-	-	57	8	49
-	-	-	19,838	3,182	16,656	23,014	5,972	17,042
-	-	-	23,004	5,828	17,176	23,004	5,828	17,176
-	-	-	164,116	118,113	46,003	164,116	118,113	46,003
-	-	-	31,338	19,508	11,830	31,338	19,508	11,830
-	-	-	1,044,798	286,979	757,819	1,044,798	286,979	757,819
-	-	-	1,772,413	931,261	841,152	1,772,413	931,261	841,152
-	-	-	3,035,669	1,361,689	1,673,980	3,035,669	1,361,689	1,673,980
-	-	-	3,850	2,741	1,109	6,291	4,748	1,543
-	-	-	3,850	2,741	1,109	6,291	4,748	1,543
4,724	4,724	-	-	-	-	4,724	4,724	-
6,997	6,982	15	1,094	407	687	8,091	7,389	702
50,379	48,498	1,881	28,769	25,390	3,379	88,995	83,473	5,522
-	-	-	-	-	-	4,233	3,995	238
62,100	60,204	1,896	29,863	25,797	4,066	106,043	99,581	6,462
264	264	-	-	-	-	264	264	-
1,200	1,200	-	-	-	-	1,200	1,200	-
362	362	-	-	-	-	362	362	-
30,860	30,860	-	-	-	-	30,860	30,860	-
-	-	-	3,360	3,360	-	3,360	3,360	-
3,558	3,558	-	-	-	-	3,558	3,558	-
36,244	36,244	-	3,360	3,360	-	39,604	39,604	-
9,147	9,147	-	-	-	-	9,147	9,147	-
25,611	25,611	-	-	-	-	25,611	25,611	-
7,419	7,419	-	-	-	-	7,419	7,419	-
42,177	42,177	-	-	-	-	42,177	42,177	-
39,178	39,178	-	-	-	-	39,178	39,178	-
-	-	-	3,260	3,260	-	3,260	3,260	-
39,178	39,178	-	3,260	3,260	-	42,438	42,438	-

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Auburn University			
Support of State Universities: Auburn University System-Operations and Maintenance	-	-	-
Support of State Universities: Auburn University-AUM Operations and Maintenance	-	-	-
Support of State Universities: Auburn/Agriculture Experiment Station	-	-	-
Support of State Universities: Auburn/Cooperative Extension Service	-	-	-
Support of State Universities: Fiscal Stabilization Fund	-	-	-
Total Auburn University	-	-	-
Jacksonville State University			
Support of State Universities: Alabama Film Initiative Program	-	-	-
Support of State Universities: Fiscal Stabilization Fund	-	-	-
Support of State Universities: Jacksonville State University-Operations and Maintenance	-	-	-
Total Jacksonville State University	-	-	-
Troy State University			
Support of State Universities: Fiscal Stabilization Fund	-	-	-
Support of State Universities: Troy State University System-Operations and Maintenance	-	-	-
Total Troy State University	-	-	-
University of Alabama - Birmingham			
Support of State Universities	-	-	-
Support of State Universities: Chauncey Sparks Center/University of Alabama Birmingham	-	-	-
Support of State Universities: Fiscal Stabilization Fund	-	-	-
Support of State Universities: UAB Cancer Center	-	-	-
Support of State Universities: University of Alabama-Birmingham-Operations and Maintenance	-	-	-
Total University of Alabama - Birmingham	-	-	-
University of Alabama - Huntsville			
Support of State Universities: Fiscal Stabilization Fund	-	-	-
Support of State Universities: University of Alabama Huntsville-Operations and Maintenance	-	-	-
Total University of Alabama - Huntsville	-	-	-
University of Alabama - Tuscaloosa			
Support of State Universities: Fiscal Stabilization Fund	-	-	-
Support of State Universities: University of Alabama-Tuscaloosa-Operations and Maintenance	-	-	-
Total University of Alabama - Tuscaloosa	-	-	-
University of Montevallo			
Support of State Universities: Fiscal Stabilization Fund	-	-	-
Support of State Universities: University of Montevallo-Operations and Maintenance	-	-	-
Total University of Montevallo	-	-	-
University of North Alabama			
Support of State Universities: Fiscal Stabilization Fund	-	-	-
Support of State Universities: University of North Alabama-Operations and Maintenance	-	-	-
Total University of North Alabama	-	-	-
University of South Alabama			
Support of State Universities: Fiscal Stabilization Fund	-	-	-
Support of State Universities: University of South Alabama-Operations and Maintenance	-	-	-
Total University of South Alabama	-	-	-
University of West Alabama			
Support of State Universities: Fiscal Stabilization Fund	-	-	-
Support of State Universities: University of West Alabama-Operations and Maintenance	-	-	-
Total University of West Alabama	-	-	-
TOTAL Colleges and Universities	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
152,701	152,701	-	-	-	-	152,701	152,701	-
22,843	22,843	-	-	-	-	22,843	22,843	-
29,320	29,320	-	-	-	-	29,320	29,320	-
31,108	31,108	-	-	-	-	31,108	31,108	-
-	-	-	25,884	22,945	2,939	25,884	22,945	2,939
235,972	235,972	-	25,884	22,945	2,939	261,856	258,917	2,939
453	453	-	-	-	-	453	453	-
-	-	-	3,344	3,344	-	3,344	3,344	-
35,575	35,575	-	-	-	-	35,575	35,575	-
36,028	36,028	-	3,344	3,344	-	39,372	39,372	-
-	-	-	4,599	4,599	-	4,599	4,599	-
44,112	44,112	-	-	-	-	44,112	44,112	-
44,112	44,112	-	4,599	4,599	-	48,711	48,711	-
-	-	-	54	-	54	54	-	54
3,436	3,436	-	-	-	-	3,436	3,436	-
-	-	-	24,912	22,221	2,691	24,912	22,221	2,691
4,088	4,088	-	-	-	-	4,088	4,088	-
248,562	248,562	-	-	-	-	248,562	248,562	-
256,086	256,086	-	24,966	22,221	2,745	281,052	278,307	2,745
-	-	-	4,184	2,928	1,256	4,184	2,928	1,256
43,073	43,073	-	-	-	-	43,073	43,073	-
43,073	43,073	-	4,184	2,928	1,256	47,257	46,001	1,256
-	-	-	14,699	14,699	-	14,699	14,699	-
138,541	138,541	-	-	-	-	138,541	138,541	-
138,541	138,541	-	14,699	14,699	-	153,240	153,240	-
-	-	-	1,615	1,507	108	1,615	1,507	108
17,408	17,408	-	-	-	-	17,408	17,408	-
17,408	17,408	-	1,615	1,507	108	19,023	18,915	108
-	-	-	2,214	2,034	180	2,214	2,034	180
24,562	24,562	-	-	-	-	24,562	24,562	-
24,562	24,562	-	2,214	2,034	180	26,776	26,596	180
-	-	-	10,769	9,990	779	10,769	9,990	779
97,860	97,860	-	-	-	-	97,860	97,860	-
97,860	97,860	-	10,769	9,990	779	108,629	107,850	779
-	-	-	1,204	1,059	145	1,204	1,059	145
12,737	12,737	-	-	-	-	12,737	12,737	-
12,737	12,737	-	1,204	1,059	145	13,941	13,796	145
1,023,978	1,023,978	-	100,098	91,946	8,152	1,124,076	1,115,924	8,152

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Other			
Accountancy Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Accountancy Board	-	-	-
Agricultural Museum Board			
Agricultural Promotional Program	127	87	40
Total Agricultural Museum Board	127	87	40
Agriculture Center Board			
Agricultural Development Services: Fairs and Livestock Shows	102	99	3
Agricultural Development Services: Livestock Coliseum	237	210	27
Agricultural Development Services: Operations	587	441	146
Total Agriculture Center Board	926	750	176
Alabama Board of Court Reporting			
Professional and Occupational Licensure and Regulation	-	-	-
Total Alabama Board of Court Reporting	-	-	-
Alabama Boxing Commission			
Licensing, Regulation and Enforcement	-	-	-
Total Alabama Boxing Commission	-	-	-
Alabama Construction Recruitment			
Recruitment/Training Promotion	-	-	-
Total Alabama Construction Recruitment	-	-	-
Alabama Law Institute			
Support - Other Educational Activities	882	867	15
Total Alabama Law Institute	882	867	15
Alabama Onsite Wastewater Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Alabama Onsite Wastewater Board	-	-	-
Alabama Security Regulatory Board			
Licensing, Regulation and Enforcement	-	-	-
Total Alabama Security Regulatory Board	-	-	-
Alabama Trust Fund			
Alabama Natural Heritage	-	-	-
Fiscal Management	19	18	1
Total Alabama Trust Fund	19	18	1
Alcoholic Beverage Control Board			
Administrative Services	-	-	-
Alcoholic Beverage Management	-	-	-
Licensing, Regulation and Enforcement	-	-	-
Total Alcoholic Beverage Control Board	-	-	-
Architects Registration Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Architects Registration Board	-	-	-
Archives and History			
Historical Resources Management	2,055	2,009	46
Total Archives and History	2,055	2,009	46
Assisted Living Examiners Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Assisted Living Examiners Board	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	1,475	1,159	316	1,475	1,159	316
-	-	-	1,475	1,159	316	1,475	1,159	316
-	-	-	-	-	-	127	87	40
-	-	-	-	-	-	127	87	40
-	-	-	-	-	-	102	99	3
-	-	-	525	332	193	762	542	220
-	-	-	-	-	-	587	441	146
-	-	-	525	332	193	1,451	1,082	369
-	-	-	105	72	33	105	72	33
-	-	-	105	72	33	105	72	33
-	-	-	150	-	150	150	-	150
-	-	-	150	-	150	150	-	150
-	-	-	1,750	318	1,432	1,750	318	1,432
-	-	-	1,750	318	1,432	1,750	318	1,432
227	222	5	-	-	-	1,109	1,089	20
227	222	5	-	-	-	1,109	1,089	20
-	-	-	450	311	139	450	311	139
-	-	-	450	311	139	450	311	139
-	-	-	50	-	50	50	-	50
-	-	-	50	-	50	50	-	50
-	-	-	890	452	438	890	452	438
-	-	-	-	-	-	19	18	1
-	-	-	890	452	438	909	470	439
-	-	-	7,797	5,728	2,069	7,797	5,728	2,069
-	-	-	54,813	47,298	7,515	54,813	47,298	7,515
-	-	-	17,975	14,947	3,028	17,975	14,947	3,028
-	-	-	80,585	67,973	12,612	80,585	67,973	12,612
-	-	-	482	398	84	482	398	84
-	-	-	482	398	84	482	398	84
3,266	3,266	-	1,417	313	1,104	6,738	5,588	1,150
3,266	3,266	-	1,417	313	1,104	6,738	5,588	1,150
-	-	-	86	59	27	86	59	27
-	-	-	86	59	27	86	59	27

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Athlete Agent Regulatory Commission			
Professional and Occupational Licensure and Regulation	-	-	-
Total Athlete Agent Regulatory Commission	-	-	-
Athletic Trainers Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Athletic Trainers Board	-	-	-
Auctioneers Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Auctioneers Board	-	-	-
Banking			
Charter Licensure and Regulation Financial	-	-	-
Total Banking	-	-	-
Board of Adjustment			
Special Services: Damage Claims-Board of Adjustment	12	9	3
Special Services: Death Claims-Board of Adjustment	1,037	1,014	23
Total Board of Adjustment	1,049	1,023	26
Board of Prosthetists and Orthotists			
Professional and Occupational Licensure and Regulation	-	-	-
Total Board of Prosthetists and Orthotists	-	-	-
Board of Respiratory Therapy			
Professional and Occupational Licensure and Regulation	-	-	-
Total Board of Respiratory Therapy	-	-	-
Building Commission			
Professional and Occupational Licensure and Regulation	-	-	-
Special Services	267	244	23
Total Building Commission	267	244	23
Child Abuse Prevention			
Social Services	-	-	-
Total Child Abuse Prevention	-	-	-
Children Services Facilitation			
Human Services	-	-	-
Total Children Services Facilitation	-	-	-
Children's Affairs			
Children's Policy Council	-	-	-
Social Services	391	377	14
Total Children's Affairs	391	377	14
Chiropractic Examiners Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Chiropractic Examiners Board	-	-	-
Choctawhatchee, Pea and Yellow Rivers Watershed Management Authority			
Water Resource Development	382	330	52
Total Choctawhatchee, Pea and Yellow Rivers Watershed Management Authority	382	330	52
Clerk of the House			
Legislative Operations and Support	1,853	765	1,088
Total Clerk of the House	1,853	765	1,088
Commission on Uniform State Laws			
Special Services	68	19	49
Total Commission on Uniform State Laws	68	19	49

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	51	9	42	51	9	42
-	-	-	51	9	42	51	9	42
-	-	-	51	48	3	51	48	3
-	-	-	51	48	3	51	48	3
-	-	-	195	166	29	195	166	29
-	-	-	195	166	29	195	166	29
-	-	-	16,248	12,950	3,298	16,248	12,950	3,298
-	-	-	16,248	12,950	3,298	16,248	12,950	3,298
-	-	-	-	-	-	12	9	3
-	-	-	-	-	-	1,037	1,014	23
-	-	-	-	-	-	1,049	1,023	26
-	-	-	140	125	15	140	125	15
-	-	-	140	125	15	140	125	15
-	-	-	127	121	6	127	121	6
-	-	-	127	121	6	127	121	6
-	-	-	128	112	16	128	112	16
-	-	-	1,749	1,411	338	2,016	1,655	361
-	-	-	1,877	1,523	354	2,144	1,767	377
-	-	-	8,972	8,280	692	8,972	8,280	692
-	-	-	8,972	8,280	692	8,972	8,280	692
-	-	-	2,835	2,590	245	2,835	2,590	245
-	-	-	2,835	2,590	245	2,835	2,590	245
-	-	-	959	303	656	959	303	656
18,188	17,301	887	190	174	16	18,769	17,852	917
18,188	17,301	887	1,149	477	672	19,728	18,155	1,573
-	-	-	536	322	214	536	322	214
-	-	-	536	322	214	536	322	214
-	-	-	186	146	40	568	476	92
-	-	-	186	146	40	568	476	92
-	-	-	-	-	-	1,853	765	1,088
-	-	-	-	-	-	1,853	765	1,088
-	-	-	-	-	-	68	19	49
-	-	-	-	-	-	68	19	49

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Conservation and Natural Resources			
Administrative Services	-	-	-
Game and Fish	-	-	-
Marine Police	-	-	-
Marine Resources	-	-	-
Outdoor Recreation Sites and Services	-	-	-
State Land Management	-	-	-
Total Conservation and Natural Resources	-	-	-
Cosmetology Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Cosmetology Board	-	-	-
Council on the Arts			
Fine Arts	-	-	-
Total Council on the Arts	-	-	-
Counseling Examiners Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Counseling Examiners Board	-	-	-
Court of Civil Appeals			
Court Operations	3,847	3,536	311
Total Court of Civil Appeals	3,847	3,536	311
Court of Criminal Appeals			
Court Operations	4,599	4,046	553
Total Court of Criminal Appeals	4,599	4,046	553
Credit Union Administration			
Charter Licensure and Regulation Financial	-	-	-
Total Credit Union Administration	-	-	-
Crime Victims Compensation Commission			
Special Services	-	-	-
Total Crime Victims Compensation Commission	-	-	-
Criminal Justice Information Center			
Criminal Justice Information Services	2,002	1,958	44
Total Criminal Justice Information Center	2,002	1,958	44

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	13,499	9,520	3,979	13,499	9,520	3,979
-	-	-	37,598	33,678	3,920	37,598	33,678	3,920
-	-	-	11,678	8,661	3,017	11,678	8,661	3,017
-	-	-	18,795	14,742	4,053	18,795	14,742	4,053
-	-	-	7,058	6,713	345	7,058	6,713	345
-	-	-	40,123	14,150	25,973	40,123	14,150	25,973
-	-	-	128,751	87,464	41,287	128,751	87,464	41,287
-	-	-	2,665	2,116	549	2,665	2,116	549
-	-	-	2,665	2,116	549	2,665	2,116	549
4,546	4,528	18	1,136	1,136	-	5,682	5,664	18
4,546	4,528	18	1,136	1,136	-	5,682	5,664	18
-	-	-	410	315	95	410	315	95
-	-	-	410	315	95	410	315	95
-	-	-	-	-	-	3,847	3,536	311
-	-	-	-	-	-	3,847	3,536	311
-	-	-	-	-	-	4,599	4,046	553
-	-	-	-	-	-	4,599	4,046	553
-	-	-	1,697	1,142	555	1,697	1,142	555
-	-	-	1,697	1,142	555	1,697	1,142	555
-	-	-	4,625	2,822	1,803	4,625	2,822	1,803
-	-	-	4,625	2,822	1,803	4,625	2,822	1,803
-	-	-	15,351	7,544	7,807	17,353	9,502	7,851
-	-	-	15,351	7,544	7,807	17,353	9,502	7,851

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Debt Service and Reserve			
Debt Service	-	-	-
Debt Service: 2001-E Docks/Local Match Bonds	-	-	-
Debt Service: 2002-A GO Bonds	-	-	-
Debt Service: 2005-A GO Bonds	-	-	-
Debt Service: Administrative Office of Courts	-	-	-
Debt Service: Alabama Building Renovation Fin Authority	-	-	-
Debt Service: Department of Corrections	-	-	-
Debt Service: Department of Mental Health	-	-	-
Debt Service: Department of Public Health	-	-	-
Debt Service: General Obligation 1999-B Refunding	1,871	1,871	-
Debt Service: GO 2001-A Agriculture Development Bond	-	-	-
Debt Service: GO 2001-B Forensic Sciences	-	-	-
Debt Service: GO 2001-C Parks System Bonds	547	547	-
Debt Service: GO 2001-D Historic Site Bonds	-	-	-
Debt Service: GO 2006 Debt Service	-	-	-
Debt Service: GO 2007-A Debt Service	-	-	-
Total Debt Service and Reserve	2,418	2,418	-
Development Office			
Industrial Development: Alabama Development Office	3,814	3,591	223
Total Development Office	3,814	3,591	223
Dietiticians and Nutritionists Examining Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Dietiticians and Nutritionists Examining Board	-	-	-
District Attorneys			
Court Operations	36,148	35,345	803
Total District Attorneys	36,148	35,345	803
Educational Television Commission			
Educational Television	-	-	-
Total Educational Television Commission	-	-	-
Electrical Contractors Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Electrical Contractors Board	-	-	-
Electronic Security Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Electronic Security Board	-	-	-
Environmental Management			
Environmental Management	-	-	-
Total Environmental Management	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	54,955	50,280	4,675	54,955	50,280	4,675
-	-	-	7,675	7,674	1	7,675	7,674	1
-	-	-	4,145	4,145	-	4,145	4,145	-
6,006	6,006	-	5,481	1,845	3,636	11,487	7,851	3,636
-	-	-	3,973	3,973	-	3,973	3,973	-
-	-	-	4,934	2,906	2,028	4,934	2,906	2,028
-	-	-	2,171	2,138	33	2,171	2,138	33
-	-	-	1,460	1,460	-	1,460	1,460	-
-	-	-	3,527	3,515	12	3,527	3,515	12
-	-	-	1,871	-	1,871	3,742	1,871	1,871
-	-	-	4,604	1,004	3,600	4,604	1,004	3,600
-	-	-	1,369	294	1,075	1,369	294	1,075
-	-	-	8,490	1,383	7,107	9,037	1,930	7,107
-	-	-	473	473	-	473	473	-
-	-	-	4,776	4,776	-	4,776	4,776	-
-	-	-	24,535	24,535	-	24,535	24,535	-
6,006	6,006	-	134,439	110,401	24,038	142,863	118,825	24,038
-	-	-	1,910	1,430	480	5,724	5,021	703
-	-	-	1,910	1,430	480	5,724	5,021	703
-	-	-	150	111	39	150	111	39
-	-	-	150	111	39	150	111	39
-	-	-	120	120	-	36,268	35,465	803
-	-	-	120	120	-	36,268	35,465	803
6,742	6,714	28	715	566	149	7,457	7,280	177
6,742	6,714	28	715	566	149	7,457	7,280	177
-	-	-	428	307	121	428	307	121
-	-	-	428	307	121	428	307	121
-	-	-	334	314	20	334	314	20
-	-	-	334	314	20	334	314	20
-	-	-	138,905	109,126	29,779	138,905	109,126	29,779
-	-	-	138,905	109,126	29,779	138,905	109,126	29,779

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
ETF Direct Disbursements			
Debt Service: Auburn University Endowment	-	-	-
Debt Service: Grove Hill Endowment	-	-	-
Debt Service: University of Alabama Endowment	-	-	-
Employee Benefits: Teachers Retirement System Unused Sick Leave Death Benefits	-	-	-
Financial Assistance: Alabama School of Fine Arts	-	-	-
Financial Assistance: American Legion Scholarships	-	-	-
Financial Assistance: Lee County Schools	-	-	-
Financial Assistance: Walker County School System	-	-	-
Special Services: Space Science Exhibit Commission	-	-	-
Support - Other Educational Activities: Dental Scholarships	-	-	-
Support - Other Educational Activities: Marine Environmental	-	-	-
Support - Other Educational Activities: Optometric Scholarships	-	-	-
Total ETF Direct Disbursements	-	-	-
ETF Non-State			
Support - Other Educational Activities: Lyman Ward Military Academy	-	-	-
Support - Other Educational Activities: Talladega College	-	-	-
Support - Other Educational Activities: Tuskegee University	-	-	-
Total ETF Non-State	-	-	-
Ethics Commission			
Regulation of Public Officials and Employees	1,693	1,338	355
Total Ethics Commission	1,693	1,338	355
Farmers' Market Authority			
Agricultural Development Services	630	603	27
Total Farmers' Market Authority	630	603	27
Finance Special Appropriations			
Administration Service and Logistical Support: Removal of Prisoners	720	704	16
Criminal Investigation: Arrest of Absconding Felons	53	10	43
Executive Direction: Governors' Widow Retirement	14	14	-
Fiscal Management: Cash Management Improvement Act	737	4	733
Institutional Service Corrections: Feeding of Prisoners	8,550	8,360	190
Legal Advice and Legal Service: Automatic Appeal Expense	35	-	35
Legal Advice and Legal Service: Court Assessed Cost not Provided	262	180	82
Legal Advice and Legal Service: Law Enforcement Legal Defense	3	-	3
Special Services: Court Assessed Cost not Provided	4,748	4,624	124
Special Services: Election Expenses	7,200	7,040	160
Special Services: Emergency Fund, Departmental	35	-	35
Special Services: Estate of Robert E Doyle	116	116	-
Special Services: Registration of Voters	2,450	2,394	56
Total Finance Special Appropriations	24,923	23,446	1,477
Finance Special Funds			
Appropriation Transfers	-	-	-
Non-State	-	-	-
Special Services	-	-	-
Total Finance Special Funds	-	-	-
Forensic Sciences			
Forensic Science Services	12,240	11,857	383
Total Forensic Sciences	12,240	11,857	383

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
20	20	-	-	-	-	20	20	-
1	1	-	-	-	-	1	1	-
61	61	-	-	-	-	61	61	-
2,162	1,894	268	-	-	-	2,162	1,894	268
6,276	6,276	-	-	-	-	6,276	6,276	-
113	101	12	-	-	-	113	101	12
65	65	-	-	-	-	65	65	-
861	861	-	-	-	-	861	861	-
520	520	-	-	-	-	520	520	-
268	268	-	-	-	-	268	268	-
3,499	3,499	-	-	-	-	3,499	3,499	-
150	150	-	-	-	-	150	150	-
13,996	13,716	280	-	-	-	13,996	13,716	280
249	249	-	-	-	-	249	249	-
837	837	-	-	-	-	837	837	-
9,494	9,494	-	-	-	-	9,494	9,494	-
10,580	10,580	-	-	-	-	10,580	10,580	-
-	-	-	-	-	-	1,693	1,338	355
-	-	-	-	-	-	1,693	1,338	355
-	-	-	4,689	2,651	2,038	5,319	3,254	2,065
-	-	-	4,689	2,651	2,038	5,319	3,254	2,065
-	-	-	-	-	-	720	704	16
-	-	-	-	-	-	53	10	43
-	-	-	-	-	-	14	14	-
-	-	-	-	-	-	737	4	733
-	-	-	-	-	-	8,550	8,360	190
-	-	-	-	-	-	35	-	35
-	-	-	-	-	-	262	180	82
-	-	-	-	-	-	3	-	3
-	-	-	-	-	-	4,748	4,624	124
-	-	-	-	-	-	7,200	7,040	160
-	-	-	-	-	-	35	-	35
-	-	-	-	-	-	116	116	-
-	-	-	-	-	-	2,450	2,394	56
-	-	-	-	-	-	24,923	23,446	1,477
-	-	-	204,534	204,534	-	204,534	204,534	-
-	-	-	36,172	36,172	-	36,172	36,172	-
-	-	-	44	44	-	44	44	-
-	-	-	240,750	240,750	-	240,750	240,750	-
-	-	-	16,338	11,272	5,066	28,578	23,129	5,449
-	-	-	16,338	11,272	5,066	28,578	23,129	5,449

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Foresters Registration Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Foresters Registration Board	-	-	-
Forestry Commission			
Forest Resources Protection and Development	-	-	-
Total Forestry Commission	-	-	-
Forever Wild Land Trust			
Administrative Services	-	-	-
Total Forever Wild Land Trust	-	-	-
Fringe Benefit Accounts			
Fringe Benefits: Judicial Retirement - General Fund Share	1,983	1,983	-
Total Fringe Benefit Accounts	1,983	1,983	-
Funeral Services Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Funeral Services Board	-	-	-
General Contractors Licensing Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total General Contractors Licensing Board	-	-	-
General Fund Direct Disbursements			
Employment and Social Opportunities: Women's Hall of Fame	16	15	1
Fine Arts: Music Hall of Fame	270	264	6
Historical Resources Management: Brierfield Ironworks Park	81	79	2
Historical Resources Management: Cahaba Advisory Committee	203	198	5
Historical Resources Management: Citizenship Trust	252	246	6
Historical Resources Management: Historic Blakeley Authority	182	178	4
Historical Resources Management: Historic Chattahoochee Commission	263	257	6
Historical Resources Management: Historic Ironworks Commission	153	150	3
Historical Resources Management: Men's Hall of Fame	16	15	1
Historical Resources Management: Sports Hall of Fame	164	161	3
Historical Resources Management: St. Stephens Historical Commission	212	207	5
Tourism and Travel Promotion: Motor Sports Hall of Fame	81	79	2
Water Resource Development: Bear Creek Development Authority	29	28	1
Water Resource Development: Choccolocco Creek Watershed	15	15	-
Water Resource Development: Tennessee-Tombigbee Waterway	122	119	3
Total General Fund Direct Disbursements	2,059	2,011	48
General Fund Non-State			
Non-State: Coalition Against Domestic Violence	446	436	10
Non-State: Kidney Foundation, Inc	203	198	5
Non-State: Network of Children's Advocacy Centers	892	872	20
Total General Fund Non-State	1,541	1,506	35
Geological Survey			
Mineral, Energy, and Water Resources	3,637	2,823	814
Total Geological Survey	3,637	2,823	814
Governor's Office of Faith-Based and Community Initiatives			
Executive Direction	99	83	16
Total Governor's Office of Faith-Based and Community Initiatives	99	83	16
Governor's Office on Disability			
Executive Direction	313	150	163
Total Governor's Office on Disability	313	150	163

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	200	86	114	200	86	114
-	-	-	200	86	114	200	86	114
-	-	-	36,535	28,876	7,659	36,535	28,876	7,659
-	-	-	36,535	28,876	7,659	36,535	28,876	7,659
-	-	-	7,628	6,638	990	7,628	6,638	990
-	-	-	7,628	6,638	990	7,628	6,638	990
-	-	-	-	-	-	1,983	1,983	-
-	-	-	-	-	-	1,983	1,983	-
-	-	-	268	209	59	268	209	59
-	-	-	268	209	59	268	209	59
-	-	-	1,919	1,263	656	1,919	1,263	656
-	-	-	1,919	1,263	656	1,919	1,263	656
-	-	-	-	-	-	16	15	1
-	-	-	-	-	-	270	264	6
-	-	-	-	-	-	81	79	2
-	-	-	-	-	-	203	198	5
-	-	-	-	-	-	252	246	6
-	-	-	-	-	-	182	178	4
-	-	-	-	-	-	263	257	6
-	-	-	-	-	-	153	150	3
-	-	-	-	-	-	16	15	1
-	-	-	-	-	-	164	161	3
-	-	-	-	-	-	212	207	5
-	-	-	-	-	-	81	79	2
-	-	-	-	-	-	29	28	1
-	-	-	-	-	-	15	15	-
-	-	-	-	-	-	122	119	3
-	-	-	-	-	-	2,059	2,011	48
-	-	-	-	-	-	446	436	10
-	-	-	-	-	-	203	198	5
-	-	-	-	-	-	892	872	20
-	-	-	-	-	-	1,541	1,506	35
-	-	-	3,967	2,374	1,593	7,604	5,197	2,407
-	-	-	3,967	2,374	1,593	7,604	5,197	2,407
129	113	16	3,582	2,067	1,515	3,810	2,263	1,547
129	113	16	3,582	2,067	1,515	3,810	2,263	1,547
-	-	-	-	-	-	313	150	163
-	-	-	-	-	-	313	150	163

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Health Planning and Development			
Health Planning Development and Regulation	220	215	5
Total Health Planning and Development	220	215	5
Hearing Instrument Dealers Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Hearing Instrument Dealers Board	-	-	-
Heating, Air Conditioning, and Refrigeration Contractors Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Heating, Air Conditioning, and Refrigeration Contractors Board	-	-	-
High School of Math and Science			
Financial Assistance	-	-	-
Total High School of Math and Science	-	-	-
Historical Commission			
Historical Resources Management: Alabama Historical Commission	-	-	-
Historical Resources Management: Bellemont	-	-	-
Historical Resources Management: Birmingham Civil Rights Institute	-	-	-
Historical Resources Management: Birmingham Unity Breakfast	-	-	-
Historical Resources Management: Black Heritage	-	-	-
Historical Resources Management: Buffalo Soldier Memorial	-	-	-
Historical Resources Management: Capitol Preservation	-	-	-
Historical Resources Management: Civil Rights Foot Soldiers	-	-	-
Historical Resources Management: Collinsville Clock	-	-	-
Historical Resources Management: Confederate Park-Soldier Fund	-	-	-
Historical Resources Management: Donnell House	-	-	-
Historical Resources Management: Helen Keller Birthplace	-	-	-
Historical Resources Management: Houston Memorial Library	-	-	-
Historical Resources Management: Jesse Owens Park	-	-	-
Historical Resources Management: Katrina Grants	-	-	-
Historical Resources Management: Nat King Cole Project	-	-	-
Historical Resources Management: Past Time Theatre	-	-	-
Historical Resources Management: Ralph Abernathy House	-	-	-
Historical Resources Management: Roxy Theatre	-	-	-
Historical Resources Management: Russell County Historical Commission	-	-	-
Historical Resources Management: Tallapoosa Historical Museum	-	-	-
Historical Resources Management: USS Alabama Battleship Commission	-	-	-
Historical Resources Management: Voting Rights Museum	-	-	-
Total Historical Commission	-	-	-
Home Builders Licensure Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Home Builders Licensure Board	-	-	-
Home Medical Equipment Services Provider Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Home Medical Equipment Services Provider Board	-	-	-
Homeland Security Office			
Readiness and Recovery	597	516	81
Total Homeland Security Office	597	516	81
Indian Affairs Commission			
Social Services	151	142	9
Total Indian Affairs Commission	151	142	9

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	1,111	965	146	1,331	1,180	151
-	-	-	1,111	965	146	1,331	1,180	151
-	-	-	54	29	25	54	29	25
-	-	-	54	29	25	54	29	25
-	-	-	1,117	960	157	1,117	960	157
-	-	-	1,117	960	157	1,117	960	157
5,754	5,627	127	470	235	235	6,224	5,862	362
5,754	5,627	127	470	235	235	6,224	5,862	362
-	-	-	5,484	4,773	711	5,484	4,773	711
-	-	-	45	43	2	45	43	2
-	-	-	9	9	-	9	9	-
-	-	-	9	9	-	9	9	-
-	-	-	48	38	10	48	38	10
-	-	-	45	45	-	45	45	-
-	-	-	279	257	22	279	257	22
-	-	-	9	9	-	9	9	-
-	-	-	90	90	-	90	90	-
-	-	-	645	456	189	645	456	189
-	-	-	36	36	-	36	36	-
-	-	-	90	90	-	90	90	-
-	-	-	9	9	-	9	9	-
-	-	-	45	45	-	45	45	-
-	-	-	409	217	192	409	217	192
-	-	-	68	68	-	68	68	-
-	-	-	45	45	-	45	45	-
-	-	-	90	90	-	90	90	-
-	-	-	45	45	-	45	45	-
-	-	-	149	149	-	149	149	-
-	-	-	14	14	-	14	14	-
-	-	-	81	81	-	81	81	-
-	-	-	90	90	-	90	90	-
-	-	-	7,834	6,708	1,126	7,834	6,708	1,126
-	-	-	4,404	2,491	1,913	4,404	2,491	1,913
-	-	-	4,404	2,491	1,913	4,404	2,491	1,913
-	-	-	255	203	52	255	203	52
-	-	-	255	203	52	255	203	52
-	-	-	40,343	22,037	18,306	40,940	22,553	18,387
-	-	-	40,343	22,037	18,306	40,940	22,553	18,387
-	-	-	54	52	2	205	194	11
-	-	-	54	52	2	205	194	11

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Insurance			
Regulatory Services	-	-	-
Total Insurance	-	-	-
Interior Design Registration Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Interior Design Registration Board	-	-	-
Interpreters and Translators			
Professional and Occupational Licensure and Regulation	-	-	-
Total Interpreters and Translators	-	-	-
Judicial Inquiry Commission			
Administrative Services	883	467	416
Total Judicial Inquiry Commission	883	467	416
Knight vs. Alabama Financial Obligation			
Support of State Universities: Alabama State-PhD Microbiology Program	-	-	-
Support of State Universities: Doctoral Program in Education-Alabama State	-	-	-
Support of State Universities: Knight vs Alabama 2 year Postsecondary	-	-	-
Support of State Universities: Scholarships to Diversify-Alabama A&M	-	-	-
Support of State Universities: Scholarships to Diversify-Alabama State	-	-	-
Support of State Universities: Trust for Educational Excellence, Base-Alabama A&M	-	-	-
Support of State Universities: Trust for Educational Excellence, Base-Alabama State	-	-	-
Support of State Universities: Trust for Educational Excellence, Match-Alabama A&M	-	-	-
Support of State Universities: Trust for Educational Excellence, Match-Alabama State	-	-	-
Total Knight vs. Alabama Financial Obligation	-	-	-
Labor			
Regulatory Services	608	394	214
Total Labor	608	394	214
Landscape Architect Examining Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Landscape Architect Examining Board	-	-	-
Legislative Building Authority			
Legislative Operations and Support	135	-	135
Total Legislative Building Authority	135	-	135
Legislative Council			
Legislative Operations and Support	1,308	432	876
Total Legislative Council	1,308	432	876
Legislative Fiscal Office			
Legislative Operations and Support	2,383	1,684	699
Total Legislative Fiscal Office	2,383	1,684	699
Legislative Reference Service			
Legislative Operations and Support	-	-	-
Legislative Operations and Support: Code Supplement-LRS	162	158	4
Legislative Operations and Support: Legislative Reference Service	2,859	2,664	195
Total Legislative Reference Service	3,021	2,822	199
Lieutenant Governor			
Legislative Operations and Support	970	780	190
Total Lieutenant Governor	970	780	190
Liquefied Petroleum Gas Board			
Regulatory Services	-	-	-
Total Liquefied Petroleum Gas Board	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	13,899	11,209	2,690	13,899	11,209	2,690
-	-	-	13,899	11,209	2,690	13,899	11,209	2,690
-	-	-	50	27	23	50	27	23
-	-	-	50	27	23	50	27	23
-	-	-	50	40	10	50	40	10
-	-	-	50	40	10	50	40	10
-	-	-	-	-	-	883	467	416
-	-	-	-	-	-	883	467	416
1,235	1,235	-	-	-	-	1,235	1,235	-
2,213	2,213	-	-	-	-	2,213	2,213	-
830	-	830	-	-	-	830	-	830
1,000	1,000	-	-	-	-	1,000	1,000	-
1,000	1,000	-	-	-	-	1,000	1,000	-
1,000	1,000	-	-	-	-	1,000	1,000	-
1,000	1,000	-	-	-	-	1,000	1,000	-
1,000	-	1,000	-	-	-	1,000	-	1,000
1,000	769	231	-	-	-	1,000	769	231
10,278	8,217	2,061	-	-	-	10,278	8,217	2,061
-	-	-	1,408	1,035	373	2,016	1,429	587
-	-	-	1,408	1,035	373	2,016	1,429	587
-	-	-	69	52	17	69	52	17
-	-	-	69	52	17	69	52	17
-	-	-	-	-	-	135	-	135
-	-	-	-	-	-	135	-	135
-	-	-	-	-	-	1,308	432	876
-	-	-	-	-	-	1,308	432	876
346	336	10	-	-	-	2,729	2,020	709
346	336	10	-	-	-	2,729	2,020	709
98	98	-	300	140	160	398	238	160
-	-	-	-	-	-	162	158	4
-	-	-	-	-	-	2,859	2,664	195
98	98	-	300	140	160	3,419	3,060	359
-	-	-	-	-	-	970	780	190
-	-	-	-	-	-	970	780	190
-	-	-	1,659	1,000	659	1,659	1,000	659
-	-	-	1,659	1,000	659	1,659	1,000	659

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Manufactured Housing Commission			
Regulatory Services	-	-	-
Total Manufactured Housing Commission	-	-	-
Marriage and Family Therapy Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Marriage and Family Therapy Board	-	-	-
Massage Therapy Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Massage Therapy Board	-	-	-
Medical Scholarships Awards Board			
Support - Other Educational Activities	-	-	-
Total Medical Scholarships Awards Board	-	-	-
Military			
Military Operations: Active Military Service	767	218	549
Military Operations: ANG Operations & Maintenance	949	928	21
Military Operations: BP Oil Spill	834	600	234
Military Operations: Bus Driver Training	714	213	501
Military Operations: Counter Drug	-	-	-
Military Operations: Dropping Allowance	-	-	-
Military Operations: Military- Army MCCA	-	-	-
Military Operations: Military Billeting	-	-	-
Military Operations: Operations	584	558	26
Military Operations: Operations and Maintenance	5,332	3,232	2,100
Military Operations: Quartering Allowance to Headquarters	1,202	1,178	24
Military Operations: State Defense Force	13	9	4
Total Military	10,395	6,936	3,459
Nursing Board			
Professional and Occupational Licensure and Regulation	3	3	-
Total Nursing Board	3	3	-
Nursing Home Administration Examining Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Nursing Home Administration Examining Board	-	-	-
Occupational Therapy Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Occupational Therapy Board	-	-	-
Office of Prosecution Services			
Prosecution Training Education and Management	1,004	984	20
Total Office of Prosecution Services	1,004	984	20
Oil and Gas Board			
Management and Regulation of Oil and Gas Exploration/Development	3,644	2,888	756
Total Oil and Gas Board	3,644	2,888	756
Pardons and Paroles			
Administration of Pardons and Paroles	35,127	33,286	1,841
Total Pardons and Paroles	35,127	33,286	1,841
Peace Officer Annuity and Benefit			
Retirement Systems	-	-	-
Total Peace Officer Annuity and Benefit	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	3,961	1,795	2,166	3,961	1,795	2,166
-	-	-	3,961	1,795	2,166	3,961	1,795	2,166
-	-	-	30	30	-	30	30	-
-	-	-	30	30	-	30	30	-
-	-	-	150	118	32	150	118	32
-	-	-	150	118	32	150	118	32
1,041	1,041	-	400	-	400	1,441	1,041	400
1,041	1,041	-	400	-	400	1,441	1,041	400
-	-	-	-	-	-	767	218	549
-	-	-	6,119	5,485	634	7,068	6,413	655
-	-	-	257	257	-	1,091	857	234
-	-	-	-	-	-	714	213	501
-	-	-	78	14	64	78	14	64
-	-	-	-	-	-	-	-	-
-	-	-	52,968	38,376	14,592	52,968	38,376	14,592
-	-	-	1,004	556	448	1,004	556	448
-	-	-	-	-	-	584	558	26
438	438	-	37,439	23,773	13,666	43,209	27,443	15,766
-	-	-	-	-	-	1,202	1,178	24
-	-	-	-	-	-	13	9	4
438	438	-	97,865	68,461	29,404	108,698	75,835	32,863
233	233	-	8,460	8,289	171	8,696	8,525	171
233	233	-	8,460	8,289	171	8,696	8,525	171
-	-	-	115	79	36	115	79	36
-	-	-	115	79	36	115	79	36
-	-	-	135	111	24	135	111	24
-	-	-	135	111	24	135	111	24
-	-	-	4,975	3,778	1,197	5,979	4,762	1,217
-	-	-	4,975	3,778	1,197	5,979	4,762	1,217
-	-	-	1,062	486	576	4,706	3,374	1,332
-	-	-	1,062	486	576	4,706	3,374	1,332
-	-	-	13,668	12,534	1,134	48,795	45,820	2,975
-	-	-	13,668	12,534	1,134	48,795	45,820	2,975
-	-	-	600	465	135	600	465	135
-	-	-	600	465	135	600	465	135

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Peace Officer Standards and Training			
Certified Law Enforcement Academy Program	-	-	-
Professional and Occupational Licensure and Regulation	-	-	-
Total Peace Officer Standards and Training	-	-	-
Personnel			
Administrative Support Service	-	-	-
Total Personnel	-	-	-
Physical Fitness Commission			
Advisory Services	-	-	-
Total Physical Fitness Commission	-	-	-
Physical Therapy Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Physical Therapy Board	-	-	-
Plumbers and Gas Fitters Examining Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Plumbers and Gas Fitters Examining Board	-	-	-
Polygraph Examiners			
Professional and Occupational Licensure and Regulation	-	-	-
Total Polygraph Examiners	-	-	-
President Pro Tempore Senate			
Legislative Operations and Support	2,791	2,071	720
Total President Pro Tempore Senate	2,791	2,071	720
Proessional Engineers Registration Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Proessional Engineers Registration Board	-	-	-
Professional Geologists Licensing Board			
Mineral, Energy, and Water Resources	-	-	-
Total Professional Geologists Licensing Board	-	-	-
Psychology Examiners Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Psychology Examiners Board	-	-	-
Public Education Employees Health Insurance Board			
Administrative Support Service	-	-	-
Total Public Education Employees Health Insurance Board	-	-	-
Public Library Service			
APLS Special Grant Program	-	-	-
Public Library Services	-	-	-
Total Public Library Service	-	-	-
Public Livestock Market Board			
Agricultural Development Services	-	-	-
Total Public Livestock Market Board	-	-	-
Real Estate Appraisers Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Real Estate Appraisers Board	-	-	-
Real Estate Commission			
Professional and Occupational Licensure and Regulation	-	-	-
Total Real Estate Commission	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
375	375	-	450	383	67	825	758	67
273	273	-	4,500	3,670	830	4,773	3,943	830
648	648	-	4,950	4,053	897	5,598	4,701	897
-	-	-	9,685	8,812	873	9,685	8,812	873
-	-	-	9,685	8,812	873	9,685	8,812	873
828	805	23	19	-	19	847	805	42
828	805	23	19	-	19	847	805	42
-	-	-	455	281	174	455	281	174
-	-	-	455	281	174	455	281	174
-	-	-	2,287	1,471	816	2,287	1,471	816
-	-	-	2,287	1,471	816	2,287	1,471	816
-	-	-	30	16	14	30	16	14
-	-	-	30	16	14	30	16	14
-	-	-	-	-	-	2,791	2,071	720
-	-	-	-	-	-	2,791	2,071	720
-	-	-	1,678	1,208	470	1,678	1,208	470
-	-	-	1,678	1,208	470	1,678	1,208	470
-	-	-	60	46	14	60	46	14
-	-	-	60	46	14	60	46	14
-	-	-	236	150	86	236	150	86
-	-	-	236	150	86	236	150	86
-	-	-	4,110	2,973	1,137	4,110	2,973	1,137
-	-	-	4,110	2,973	1,137	4,110	2,973	1,137
330	299	31	-	-	-	330	299	31
7,164	7,033	131	2,933	2,913	20	10,097	9,946	151
7,494	7,332	162	2,933	2,913	20	10,427	10,245	182
-	-	-	4	1	3	4	1	3
-	-	-	4	1	3	4	1	3
-	-	-	1,072	834	238	1,072	834	238
-	-	-	1,072	834	238	1,072	834	238
-	-	-	4,895	3,330	1,565	4,895	3,330	1,565
-	-	-	4,895	3,330	1,565	4,895	3,330	1,565

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STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Retirement Systems of Alabama			
Retirement Systems	-	-	-
Total Retirement Systems of Alabama	-	-	-
Securities Commission			
Regulatory Services	-	-	-
Total Securities Commission	-	-	-
Senior Services			
Elderly Medication Program	1,993	1,927	66
Medicaid Waiver Services	8,360	8,101	259
Planning and Advocacy for Elderly	6,218	5,620	598
Total Senior Services	16,571	15,648	923
Sickle Cell Oversight Commission			
Support - Other Educational Activities	-	-	-
Total Sickle Cell Oversight Commission	-	-	-
Social Work Examiners Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Social Work Examiners Board	-	-	-
Soil and Water Conservation Commission			
Professional and Occupational Licensure and Regulation	-	-	-
Resource Conservation and Development	2,088	2,042	46
Water Resource Development	2,235	2,177	58
Total Soil and Water Conservation Commission	4,323	4,219	104
Speaker of the House			
Speaker of House, Office of	852	498	354
Total Speaker of the House	852	498	354
Speech Pathologists and Audiologists Examining Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Speech Pathologists and Audiologists Examining Board	-	-	-
State Bar Association			
Professional and Occupational Licensure and Regulation	-	-	-
Total State Bar Association	-	-	-
State Employees Insurance Board			
Administrative Support Service	-	-	-
Fringe Benefits	-	-	-
Total State Employees Insurance Board	-	-	-
State Executive Commission - Community Services			
Alabama Community Service Grant: House of Representatives	5,546	5,313	233
Alabama Community Service Grant: Senate	-	-	-
Total State Executive Commission - Community Services	5,546	5,313	233
State Industrial Development Authority			
Industrial Development	-	-	-
Total State Industrial Development Authority	-	-	-
Supercomputer Authority			
Information Technology Services	-	-	-
Total Supercomputer Authority	-	-	-
Supreme Court			
Court Operations	10,310	8,822	1,488
Total Supreme Court	10,310	8,822	1,488

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	44,928	31,809	13,119	44,928	31,809	13,119
-	-	-	44,928	31,809	13,119	44,928	31,809	13,119
-	-	-	13,890	8,974	4,916	13,890	8,974	4,916
-	-	-	13,890	8,974	4,916	13,890	8,974	4,916
-	-	-	-	-	-	1,993	1,927	66
-	-	-	61,152	50,685	10,467	69,512	58,786	10,726
-	-	-	32,394	28,848	3,546	38,612	34,468	4,144
-	-	-	93,546	79,533	14,013	110,117	95,181	14,936
1,316	1,316	-	-	-	-	1,316	1,316	-
1,316	1,316	-	-	-	-	1,316	1,316	-
-	-	-	355	276	79	355	276	79
-	-	-	355	276	79	355	276	79
-	-	-	5	2	3	5	2	3
-	-	-	-	-	-	2,088	2,042	46
-	-	-	1,600	522	1,078	3,835	2,699	1,136
-	-	-	1,605	524	1,081	5,928	4,743	1,185
-	-	-	-	-	-	852	498	354
-	-	-	-	-	-	852	498	354
-	-	-	289	185	104	289	185	104
-	-	-	289	185	104	289	185	104
-	-	-	5,772	4,899	873	5,772	4,899	873
-	-	-	5,772	4,899	873	5,772	4,899	873
-	-	-	10,253	6,751	3,502	10,253	6,751	3,502
-	-	-	1,526	1,526	-	1,526	1,526	-
-	-	-	11,779	8,277	3,502	11,779	8,277	3,502
4,215	4,214	1	-	-	-	9,761	9,527	234
4,040	4,040	-	-	-	-	4,040	4,040	-
8,255	8,254	1	-	-	-	13,801	13,567	234
-	-	-	2,350	1,307	1,043	2,350	1,307	1,043
-	-	-	2,350	1,307	1,043	2,350	1,307	1,043
-	-	-	11,482	11,149	333	11,482	11,149	333
-	-	-	11,482	11,149	333	11,482	11,149	333
-	-	-	-	-	-	10,310	8,822	1,488
-	-	-	-	-	-	10,310	8,822	1,488

Continued on next page...

STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
Supreme Court Law Library			
Court Operations	1,397	1,380	17
Total Supreme Court Law Library	1,397	1,380	17
Surface Mining Commission			
Industrial Safety and Accident Prevention	-	-	-
Total Surface Mining Commission	-	-	-
Tourism			
Instructional Technical Assistance	-	-	-
Tourism and Travel Promotion	707	644	63
Total Tourism	707	644	63
Veterans Affairs			
Administration of Veterans Affairs	3,659	2,938	721
Student Financial Aid	-	-	-
Veterans' Home	-	-	-
Total Veterans Affairs	3,659	2,938	721
Veterinarian Medical Examiners Board			
Professional and Occupational Licensure and Regulation	-	-	-
Total Veterinarian Medical Examiners Board	-	-	-
Women's Commission			
Employment and Social Opportunities	55	36	19
Total Women's Commission	55	36	19
TOTAL Other	216,625	196,301	20,324
TOTAL EXPENDITURES	\$ 1,249,039	\$ 1,159,111	\$ 89,928
TRANSFERS OUT:			
<u>Education Trust Fund Transfers</u>			
Building Commission	-	-	-
Child Abuse Board	-	-	-
Education Tech Fund Transfer	-	-	-
Finance-Telephone Revolving	-	-	-
Human Resources	-	-	-
Mental Health	-	-	-
Penny Trust Fund	-	-	-
Public School Fund Endowment	-	-	-
Supercomputer	-	-	-
TOTAL Education Trust Fund Transfers	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	-	-	-	1,397	1,380	17
-	-	-	-	-	-	1,397	1,380	17
-	-	-	3,882	2,379	1,503	3,882	2,379	1,503
-	-	-	3,882	2,379	1,503	3,882	2,379	1,503
-	-	-	86	86	-	86	86	-
-	-	-	31,539	24,427	7,112	32,246	25,071	7,175
-	-	-	31,625	24,513	7,112	32,332	25,157	7,175
2,354	2,129	225	4,573	2,629	1,944	10,586	7,696	2,890
30,052	28,464	1,588	-	-	-	30,052	28,464	1,588
-	-	-	44,423	27,592	16,831	44,423	27,592	16,831
32,406	30,593	1,813	48,996	30,221	18,775	85,061	63,752	21,309
-	-	-	600	503	97	600	503	97
-	-	-	600	503	97	600	503	97
-	-	-	-	-	-	55	36	19
-	-	-	-	-	-	55	36	19
132,815	127,384	5,431	1,375,855	1,093,210	282,645	1,725,295	1,416,895	308,400
\$ 5,173,532	\$ 5,151,093	\$ 22,439	\$17,783,038	\$13,688,902	\$ 4,094,136	\$24,205,609	\$19,999,106	\$ 4,206,503
514	514	-	-	-	-	514	514	-
1,549	1,549	-	-	-	-	1,549	1,549	-
1,706	1,706	-	-	-	-	1,706	1,706	-
1,119	1,119	-	-	-	-	1,119	1,119	-
12,673	12,673	-	-	-	-	12,673	12,673	-
26,637	26,637	-	-	-	-	26,637	26,637	-
345	345	-	-	-	-	345	345	-
533	533	-	-	-	-	533	533	-
8,278	8,278	-	-	-	-	8,278	8,278	-
53,354	53,354	-	-	-	-	53,354	53,354	-

Continued on next page...

STATE OF ALABAMA

DETAIL SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<u>General Fund Transfers</u>			
Alabama Bureau of Investigation Cost of Evidence	90	90	-
Child Abuse Board	1,276	1,276	-
Child Health Insurance Program	36,420	36,420	-
Children's Policy Council	18	18	-
Conservation and Natural Resources	647	647	-
Crime Victims Compensation Commission	81	81	-
Educational Television Commission	540	540	-
Environmental Management - Operations	4,911	4,911	-
Environmental Management-Hazardous Substance Fund	20	20	-
Environmental Management-Steel / Dust Sludge	324	227	97
Fair Trial Tax Transfer	40,371	40,371	-
Finance	2,244	2,244	-
Forestry Commission	13,242	13,242	-
Forestry Emergency Forest Fire	162	162	-
Historical Commission	3,831	3,831	-
Human Resources	97,897	97,897	-
Local Emergency Management Agency Assistance	152	152	-
Mental Health	103,714	103,714	-
Peace Officers Annuity & Benefit	81	81	-
Penny Trust Fund	343	343	-
Pollution Control Grant	1,092	1,092	-
Pollution Grant	419	419	-
Postsecondary Department	639	639	-
Revenue-Ad Valorem Equalization	203	203	-
Surface Mining Commission	434	434	-
Tourism and Travel Department	1,744	1,744	-
Treasurer-SAFE Program	201	201	-
Agriculture and Conservation Development Commission	2,040	2,040	-
TOTAL General Fund Transfers	313,136	313,039	97
TOTAL TRANSFERS OUT	\$ 313,136	\$ 313,039	\$ 97
TOTAL EXPENDITURES AND TRANSFERS OUT	\$ 1,562,175	\$ 1,472,150	\$ 90,025

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	-	-	-	90	90	-
-	-	-	-	-	-	1,276	1,276	-
-	-	-	-	-	-	36,420	36,420	-
-	-	-	-	-	-	18	18	-
-	-	-	-	-	-	647	647	-
-	-	-	-	-	-	81	81	-
-	-	-	-	-	-	540	540	-
-	-	-	-	-	-	4,911	4,911	-
-	-	-	-	-	-	20	20	-
-	-	-	-	-	-	324	227	97
-	-	-	-	-	-	40,371	40,371	-
-	-	-	-	-	-	2,244	2,244	-
-	-	-	-	-	-	13,242	13,242	-
-	-	-	-	-	-	162	162	-
-	-	-	-	-	-	3,831	3,831	-
-	-	-	-	-	-	97,897	97,897	-
-	-	-	-	-	-	152	152	-
-	-	-	-	-	-	103,714	103,714	-
-	-	-	-	-	-	81	81	-
-	-	-	-	-	-	343	343	-
-	-	-	-	-	-	1,092	1,092	-
-	-	-	-	-	-	419	419	-
-	-	-	-	-	-	639	639	-
-	-	-	-	-	-	203	203	-
-	-	-	-	-	-	434	434	-
-	-	-	-	-	-	1,744	1,744	-
-	-	-	-	-	-	201	201	-
-	-	-	-	-	-	2,040	2,040	-
-	-	-	-	-	-	313,136	313,039	97
\$ 53,354	\$ 53,354	\$ -	\$ -	\$ -	\$ -	\$ 366,490	\$ 366,393	\$ 97
\$ 5,226,886	\$ 5,204,447	\$ 22,439	\$17,783,038	\$13,688,902	\$ 4,094,136	\$24,572,099	\$20,365,499	\$ 4,206,600

STATE OF ALABAMA

SCHEDULE OF REVENUES BY PRINCIPAL SOURCES

Governmental Funds in State Treasury

Cash Basis, Transfers Excluded

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

TAXES

General Sales Tax (4% on gross retail sale of merchandise)	\$ 1,857,375	9.8%
General Use Tax	245,780	1.3%
Income Tax (2% to 5% personal income, 6.5% net corporate income)	2,949,581	15.5%
Property Tax Relief (represents portion of Income Tax used to offset property taxes lost in certain funds due to homestead exemptions)	46,976	0.2%
General Property Tax (6 1/2 mills for state on varying rates not over 30%)	316,705	1.7%
Gasoline Taxes (16¢ per gallon; 3¢ aviation; 1¢ jet)	410,158	2.1%
Utilities Tax (6% telephone, 4% other)	436,765	2.4%
Insurance Premium Tax (1% to 6%)	256,786	1.3%
Liquor & Wine Tax (totals 56%, collected by ABC stores)	104,802	0.5%
Tobacco & Cigarette Taxes (21.25 mills per cigarette; varying amounts on cigars, smoking tobacco, snuff, etc.)	137,737	0.7%
Corporation Taxes (privilege, 25¢ to \$1.75 per \$1,000 net worth; permit, entrance fees for filing)	39,064	0.2%
State Beer Tax (5¢ per 12 oz.)	55,368	0.3%
Public Utilities (2.2%)	143,742	0.8%
Motor Fuel Tax (diesel 17¢ per gallon)	137,234	0.7%
Tennessee Valley Authority (payments in-lieu of all state taxes)	122,653	0.6%
Leasing / Renting Tangible Personal Property - (4% most items, 1.5% vehicles, 2% garments)	62,235	0.3%
Production Privilege Tax (Oil & Gas Severance at amounts varying 2-8%)	81,969	0.4%
Financial Institutions Excise Tax (6.5% of net income of banks and other financial institutions)	18,874	0.1%
Documentary Filing Taxes (auto title, deed, mortgage, securities, etc)	55,730	0.3%
Coal Severance Tax (33.5¢ per ton)	6,445	0.0%
Forestry Severance Tax	4,964	0.0%
Inheritance Tax (amount of federal credit)	96	0.0%
Contractors Gross Receipts Tax (5% of gross receipts)	33,724	0.2%
Lodgings Tax (4% or 5% of charge)	43,312	0.2%
Hydroelectric Companies (tax on 2/5 mill per kilowatt hour and 2.2% per dollar gross receipts)	1,727	0.0%
Lubricating Oil Tax (6¢ per gallon)	1,823	0.0%
Pari-mutuel Betting (1 or 2% on pari-mutuel pools)	2,104	0.0%
Court Cost Taxes	35,200	0.2%
Medicaid Taxes	269,627	1.4%
Cellular Telephones (6%)	105,918	0.6%
Ground Materials Severance Tax	831	0.0%
Miscellaneous Taxes	18,603	0.1%
TOTAL TAXES	8,003,908	41.9%

LICENSES AND FEES

Conservation Licenses (fishing, hunting, boat registration, etc)	26,149	0.1%
Drivers Licenses and Fees	50,954	0.3%
Petroleum Products Inspection Fees (.00025¢ to 15¢ per gallon)	60,011	0.3%
Agricultural Licenses and Fees	11,091	0.1%
Wholesale Oil Company License	3,677	0.0%
Motor Vehicle License (\$23.00 on auto; up to \$845.00 on trucks and up to \$210.00 on buses)	157,239	0.9%
Privilege License (fees for privilege of operating stores, factories, professions, businesses, etc)	76,519	0.4%
Court Fees	80,346	0.4%
Alcoholic Beverage Licenses	2,489	0.0%
Insurance Corporation Licenses and Fees	1,369	0.0%
Miscellaneous License and Fees	153,648	0.8%
TOTAL LICENSES AND FEES	623,492	3.3%

FINES AND FORFEITS

Court Fines and Forfeits	32,852	0.2%
Tobacco Settlement	97,266	0.5%
Miscellaneous Fines and Forfeits	15,803	0.1%
TOTAL FINES AND FORFEITS	145,921	0.8%

INVESTMENT INCOME**63,001 0.3%****FEDERAL REVENUES****9,309,838 48.6%****OTHER REVENUES**

Rents and Royalties	154,071	0.8%
Reimbursements	63,536	0.3%
Sales of Property or Services	50,757	0.3%
Contributions	102,576	0.5%
Intragovernmental Services	41,541	0.2%
Local Revenues	34,871	0.2%
Disproportionate Hospital Receipts (Medicaid)	434,250	2.3%
Miscellaneous Revenues	98,046	0.5%
TOTAL OTHER REVENUES	979,648	5.1%

TOTAL REVENUES**\$19,125,808 100.0%**

STATE OF ALABAMA

SCHEDULE OF REVENUES BY PRINCIPAL SOURCES AND DISTRIBUTIONS OF REVENUES

Governmental Funds in State Treasury

Cash Basis, Transfers Excluded

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	Total Revenues	Admin- istrative Expense	Net Revenues	Human Resources Funds	General Fund	Public School Fund	Education Trust Fund	Alabama Trust Fund
TAXES								
General Sales Tax	\$ 1,857,375	\$ 40,574	\$ 1,816,801	\$ 61,425	\$ 75,637	\$ 0	\$ 1,566,190	\$ 0
General Use Tax	245,780	4,333	241,447	500	1,828	-	237,871	-
Income Tax	2,949,581	52,712	2,896,869	-	-	-	2,896,869	-
Property Tax Relief	46,976	-	46,976	6,938	19,224	20,814	-	-
General Property Tax	316,705	5,888	310,817	47,274	119,695	143,848	-	-
Gasoline Taxes	410,158	12,322	397,836	-	-	-	-	-
Utilities Tax	436,765	413	436,352	-	-	-	421,752	-
Insurance Premium Tax	256,786	-	256,786	-	219,943	-	31,041	-
Liquor & Wine Tax	104,802	-	104,802	37,592	52,401	-	-	-
Tobacco & Cigarette Taxes	137,737	475	137,262	3,092	119,056	-	-	-
Corporation Taxes	39,064	-	39,064	-	1,545	-	-	-
State Beer Tax	55,368	-	55,368	11,074	16,610	-	22,147	-
Public Utilities	143,742	-	143,742	-	21,706	-	-	-
Motor Fuel Tax	137,234	4,642	132,592	-	-	-	-	-
Tennessee Valley Authority	122,653	-	122,653	-	-	-	-	-
Leasing/Renting Personal Property	62,235	-	62,235	-	62,235	-	-	-
Production Privilege Tax	81,969	-	81,969	-	64,440	-	-	-
Financial Institutions Excise Tax	18,874	142	18,732	-	10,471	-	-	-
Documentary Filing Taxes	55,730	-	55,730	-	55,730	-	-	-
Coal Severance Tax	6,445	-	6,445	-	-	-	-	-
Forestry Severance Tax	4,964	314	4,650	-	-	-	-	-
Inheritance Tax	96	-	96	-	96	-	-	-
Contractors Gross Receipts Tax	33,724	50	33,674	5,038	-	-	-	-
Lodgings Tax	43,312	23	43,289	-	31,087	-	-	-
Hydroelectric Companies	1,727	1	1,726	-	-	-	725	-
Lubricating Oil Tax	1,823	14	1,809	-	608	-	-	-
Pari-mutuel Betting	2,104	-	2,104	-	2,104	-	-	-
Court Cost Taxes	35,200	-	35,200	-	10,039	-	-	-
Medicaid Provider Taxes	269,627	347	269,280	-	-	-	-	-
Cellular Telephone Tax	105,918	-	105,918	-	68,301	-	36,400	-
Ground Materials Severance Tax	831	-	831	-	-	-	-	-
Miscellaneous Taxes	18,603	89	18,514	12	4,403	89	-	-
TOTAL TAXES	8,003,908	122,339	7,881,569	172,945	957,159	164,751	5,212,995	0
LICENSES AND FEES								
Conservation Licenses	26,149	-	26,149	-	-	-	-	-
Drivers Licenses and Fees	50,954	-	50,954	-	33,121	-	-	-
Petroleum Products Inspection Fee	60,011	-	60,011	-	-	-	-	-
Agricultural License and Fees	11,091	-	11,091	-	-	-	-	-
Wholesale Oil Company License	3,677	-	3,677	-	3,677	-	-	-
Motor Vehicle License	157,239	1,676	155,563	-	42,278	-	-	-
Privilege License	76,519	1,623	74,896	-	11,121	-	2	-
Court Fees	80,346	-	80,346	-	57,070	-	-	-
Alcoholic Beverage Licenses	2,489	-	2,489	-	2,489	-	-	-
Insurance Corp Licenses and Fees	1,369	-	1,369	-	598	-	-	-
Miscellaneous License and Fees	153,648	358	153,290	445	3,450	-	44	-
TOTAL LICENSES AND FEES	623,492	3,657	619,835	445	153,804	0	46	0
FINES AND FORFEITS								
Court Fines and Forfeits	32,852	-	32,852	-	22,155	-	-	-
Tobacco Settlement	97,266	-	97,266	-	-	-	-	-
Miscellaneous Fines and Forfeits	15,803	-	15,803	-	2,025	-	-	-
TOTAL FINES AND FORFEITS	145,921	-	145,921	0	24,180	-	0	0
INVESTMENT INCOME	63,001	-	63,001	-	23,453	-	-	13,285
FEDERAL REVENUES	9,309,838	712	9,309,126	1,647,118	-	-	-	-
Disproportionate Public Hospital	434,250	-	434,250	-	-	-	-	-
Miscellaneous Revenues	545,398	5,756	539,642	9,021	1,044	4,203	238	123,713
TOTAL REVENUES	\$ 19,125,808	\$ 132,464	\$ 18,993,344	\$ 1,829,529	\$ 1,159,640	\$ 168,954	\$ 5,213,279	\$ 136,998

Distributed To Local Government	Debt Service Funds	Medicaid	Transportation Department	Health General & Mental	Education Department	Economic & Community Affairs	Other	Distribution of Other Amounts
\$ 4,674	\$ 103,875	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,000	Conservation Dept.
-	-	-	-	-	-	-	1,248	Conservation Dept.
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
176,979	-	-	216,356	-	-	-	4,501	Conservation 3.6M
-	-	-	-	14,600	-	-	-	-
-	-	-	-	4,525	-	-	1,277	Insurance Dept
-	-	-	-	14,809	-	-	-	-
754	2,300	-	-	8,950	-	-	3,110	State Parks
36,930	-	-	-	-	-	-	589	Secretary of State
5,537	-	-	-	-	-	-	-	-
-	-	-	-	122,036	-	-	-	-
2,353	-	-	130,239	-	-	-	-	-
101,802	20,851	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
17,529	-	-	-	-	-	-	-	-
8,261	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
3,846	-	-	-	-	-	-	2,599	-
-	-	-	-	-	-	-	4,650	Forestry
-	-	-	-	-	-	-	-	-
-	-	-	-	28,636	-	-	-	-
1,835	-	-	-	-	-	-	10,367	Tourism
-	-	-	-	1,001	-	-	-	-
661	-	-	540	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	3,458	-	21,703	Fair Trial Fd 18.6M
-	-	269,280	-	-	-	-	-	-
-	1,217	-	-	-	-	-	-	-
831	-	-	-	-	-	-	-	-
234	-	-	36	-	-	-	13,740	ADEM 8.4M; Indus Rel 5.3M
362,226	128,243	269,280	347,171	194,557	3,458	0	68,784	
-	-	-	-	-	-	-	26,149	Conservation
775	-	-	-	-	-	-	17,058	Public Safety
9,565	-	-	47,483	-	-	-	2,963	Agriculture
-	-	-	-	-	-	-	11,091	Agriculture
-	-	-	-	-	-	-	-	-
20,514	-	-	88,280	-	-	-	4,491	Corrections 3.6M
-	-	-	3,422	2,914	948	-	56,489	Prof & Occup Bds 26 M
-	-	-	-	153	-	-	23,123	AOC 11M; DPS 2.8M; DFS 7.1M
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	771	Insurance Dept
-	-	-	1,277	27,675	-	-	120,399	ADEM 62M; PSC 16M; Bank 15M
30,854	0	0	140,462	30,742	948	0	262,534	
-	-	-	-	-	-	1,957	8,740	DFS 2.5M; DOC 1.9
-	-	-	-	-	-	-	97,266	21st Century Fund
-	-	3,369	-	-	4	-	10,405	DPS 2.4M; AG 2.4M
-	0	3,369	0	0	4	1,957	116,411	
19,991	151	31	1,683	-	2	11	4,394	Research Alliance 3M
2,347	-	3,946,493	990,061	422,818	1,231,465	330,244	738,580	DOC 197M; Univ 92M; DIR 70M
-	-	434,250	-	-	-	-	-	-
-	2,446	95,791	24,311	66,138	9,970	3,185	199,582	Cons 54M; Corr 19M; ADEM 21M
\$ 415,418	\$ 130,840	\$ 4,749,214	\$ 1,503,688	\$ 714,255	\$1,245,847	\$ 335,397	\$ 1,390,285	



Nonmajor Enterprise Funds

Nonmajor Enterprise Funds are used to account for the operations of State agencies that provide goods and services to the public in a manner similar to private business enterprises. The cost of providing the goods or services are recovered primarily through user charges.

Alabama Health Insurance Plan

Provides health insurance coverage for citizens who have lost their group health insurance.

Motor Sports Hall of Fame

Operates a public exhibit displaying the history of automotive racing and other motor sports.

Corrections Canteen

Accounts for the activity of the canteen funds of the Department of Corrections.

National Guard Canteen

Accounts for the activity of the canteen funds of the National Guard.

Other Enterprise Funds

Are aggregated for reporting purposes and account for other small enterprise funds operated by the State, including the Guaranteed Student Loan Fund and Military Billeting.

STATE OF ALABAMA

COMBINING STATEMENT OF NET ASSETS
Nonmajor Enterprise Funds

September 30, 2010

(Amounts in Thousands)

	Alabama Health Insurance Plan	Motor Sports Hall of Fame	Corrections Canteen	National Guard Canteen
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 7,559	\$ 131	\$ 815	\$ 2,655
Investments, Short-term	-	104	-	-
Accounts Receivable	44	-	3	-
Securities Lending Collateral	-	-	-	-
Inventory	-	-	648	174
Other Current Assets	300	-	-	-
Total Current Assets	7,903	235	1,466	2,829
Noncurrent Assets				
Capital Assets, Net of Accumulated Depreciation	5	1,532	-	1,105
Capital Assets Not Depreciated	-	2,630	-	-
Total Noncurrent Assets	5	4,162	0	1,105
TOTAL ASSETS	7,908	4,397	1,466	3,934
LIABILITIES				
Current Liabilities				
Salaries Payable	-	2	-	2
Due to Other Funds	-	-	641	-
Due to Component Units	25	-	-	-
Accounts Payable	23	16	57	4
Due to Other Governments	-	-	-	-
Claims Payable	3,700	-	-	-
Unearned Revenue	401	-	-	-
Securities Lending Obligation	-	-	-	-
Total Current Liabilities	4,149	18	698	6
Noncurrent Liabilities				
Compensated Absences	-	9	-	-
Other Post-employment Benefits	-	12	-	-
Notes and Capital Leases Payable	-	1,825	-	-
Total Noncurrent Liabilities	0	1,846	0	0
Total Liabilities	4,149	1,864	698	6
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	5	2,337	-	1,105
Unrestricted	3,754	196	768	2,823
TOTAL NET ASSETS	\$ 3,759	\$ 2,533	\$ 768	\$ 3,928

Other Nonmajor Enterprise Funds		Totals	
\$	244	\$	11,404
	-		104
	-		47
	11		11
	-		822
	-		300
	255		12,688
	64		2,706
	-		2,630
	64		5,336
	319		18,024
	24		28
	-		641
	1		26
	42		142
	3		3
	-		3,700
	-		401
	11		11
	81		4,952
	10		19
	83		95
	-		1,825
	93		1,939
	174		6,891
	64		3,511
	81		7,622
\$	145	\$	11,133

STATE OF ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Nonmajor Enterprise Funds

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	Alabama Health Insurance Plan	Motor Sports Hall of Fame	Corrections Canteen	National Guard Canteen
OPERATING REVENUES				
Charges for Goods and Services	\$ 0	\$ 0	\$ 22,061	\$ 11,161
Premiums and Contributions	14,471	-	-	-
Rents and Leases	-	199	-	-
Total Operating Revenues	14,471	199	22,061	11,161
OPERATING EXPENSES				
Salaries, Wages, and Benefits	-	58	-	95
Utilities and Communications	-	10	-	-
Professional Services	360	4	-	-
Supplies, Materials, and Operating Expenses	-	55	12,507	10,254
Depreciation	6	172	-	66
Claims and Benefits	21,368	-	-	-
Other	-	8	-	-
Total Operating Expenses	21,734	307	12,507	10,415
Operating Income (Loss)	(7,263)	(108)	9,554	746
NONOPERATING REVENUES (EXPENSES)				
Taxes	3,901	-	-	-
Grants	-	-	-	-
Investment Income	19	3	-	25
Other Nonoperating Revenues	-	120	69	5
Interest Expense	-	(91)	-	-
Total Nonoperating Revenues (Expenses)	3,920	32	69	30
Income (Loss) Before Contributions and Transfers	(3,343)	(76)	9,623	776
Transfers Out	-	-	(9,593)	(92)
Increase (Decrease) in Net Assets	(3,343)	(76)	30	684
Total Net Assets, October 1, 2009, as Restated	7,102	2,609	738	3,244
Total Net Assets, September 30, 2010	\$ 3,759	\$ 2,533	\$ 768	\$ 3,928

Other Nonmajor Enterprise Funds	Totals
\$ 0	\$ 33,222
-	14,471
422	621
422	48,314
331	484
190	200
8	372
36	22,852
20	264
-	21,368
1	9
586	45,549
(164)	2,765
-	3,901
119	119
-	47
3	197
-	(91)
122	4,173
(42)	6,938
(2)	(9,687)
(44)	(2,749)
189	13,882
\$ 145	\$ 11,133

STATE OF ALABAMA

COMBINING STATEMENT OF CASH FLOWS
Nonmajor Enterprise Funds

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	Alabama Health Insurance Plan	Motor Sports Hall of Fame	Corrections Canteen	National Guard Canteen
Cash Flows from Operating Activities:				
Receipts from Customer & User Charges	\$ 18,380	\$ 200	\$ 22,072	\$ 11,165
Receipts from Interfund Services	-	-	-	-
Receipts from Other Operating Activities	-	120	69	-
Payments for Goods Held for Resale	(455)	-	(12,512)	(10,162)
Payments for Other Goods & Services	(21,170)	(77)	-	(85)
Payments for Employees Services	-	(54)	-	(94)
Payments for Interfund Services	-	-	-	-
Net Cash Provided by (Used In) Operating Activities	(3,245)	189	9,629	824
Cash Flows from Noncapital Financing Activities:				
Transfers to Other Funds for Noncapital Financing	-	-	(9,595)	(92)
Net Cash Provided By (Used In)				
Noncapital Financing Activities	0	0	(9,595)	(92)
Cash Flows From Capital & Related Financing Activities:				
Receipts from Sale of Capital Assets & Insurance Proceeds	-	101	-	-
Payments to Acquire, Construct, & Improve Capital Assets	-	-	-	(490)
Principal Paid on Revenue Bonds & Other Capital Debt	-	(71)	-	-
Interest Paid on Revenue Bonds & Other Capital Debt	-	(91)	-	-
Net Cash Provided by (Used in)				
Capital and Related Financing Activities	0	(61)	0	(490)
Cash Flows From Investing Activities				
Receipts from Interest & Dividends on Investments & Loans	19	3	-	25
Purchase of Investments	-	(104)	-	-
Net Cash Provided By (Used In) Investing Activities	19	(101)	0	25
Net Increase (Decrease) In Cash and Cash Equivalents	(3,226)	27	34	267
Cash Balance as Restated, October 1, 2009	10,785	104	781	2,388
Cash Balance, September 30, 2010	7,559	131	815	2,655
Cash and Cash Equivalents, as Reported on Balance Sheet	\$ 7,559	\$ 131	\$ 815	\$ 2,655

Other Nonmajor Enterprise Funds		Totals	
\$	421	\$	52,238
	8		8
	120		309
	-		(23,129)
	(205)		(21,537)
	(317)		(465)
	(5)		(5)
	22		7,419
	(2)		(9,689)
	(2)		(9,689)
	-		101
	-		(490)
	-		(71)
	-		(91)
	0		(551)
	-		47
	-		(104)
	0		(57)
	20		(2,878)
	224		14,282
	244		11,404
\$	244	\$	11,404

Continued on next page...

STATE OF ALABAMA

COMBINING STATEMENT OF CASH FLOWS (Continued from Previous Page) Nonmajor Enterprise Funds

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	Alabama Health Insurance Plan	Motor Sports Hall of Fame	Corrections Canteen	National Guard Canteen
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (7,263)	\$ (108)	\$ 9,554	\$ 746
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Due from Other Funds	-	-	-	-
Accounts Receivable	(8)	-	12	5
Inventory	-	-	(19)	4
Salaries Payable	-	-	-	-
Due to Other Funds	(96)	-	-	-
Accounts Payable	6	1	13	3
Claims Payable	197	-	-	-
Unearned Revenue	12	-	-	-
Compensated Absences	-	-	-	-
Other Post-employment Benefits	-	4	-	-
Depreciation	6	172	-	66
Nonoperating Revenues	3,901	120	69	-
Total Adjustments	4,018	297	75	78
Net Cash Provided (Used) by Operating Activities	\$ (3,245)	\$ 189	\$ 9,629	\$ 824
Noncash Investing, Capital, and Financing Activities				
Increase (Decrease):				
Disposals, Write-offs, and Other Reductions to Capital Asset	-	(101)	-	-

Other Nonmajor Enterprise Funds	Totals
\$ (164)	\$ 2,765
8	8
-	9
-	(15)
(8)	(8)
1	(95)
25	48
-	197
-	12
(1)	(1)
20	24
20	264
121	4,211
186	4,654
<u>\$ 22</u>	<u>\$ 7,419</u>

- (101)



Internal Service Funds

Internal Service Funds account for the operation of State organizations which provide goods and services to other State agencies on a cost-reimbursement basis.

Telecommunications Fund

Provides for the coordination and promotion of efficiency in the acquisition, operation and maintenance of telecommunications and computer equipment, services, systems, and networks used by state agencies.

Service Division

Accounts for various services provided to State agencies including janitorial services, motor pool, mail services, and building maintenance.

Correctional Industries

Accounts for the manufacturing activities of the State's correctional facilities.

Building Renovation Finance Authority

Accounts for the rental and maintenance of the buildings in the State Capitol Complex.

Risk Management

Accounts for resources used to provide insurance coverage for State buildings, school buildings, and their contents. Risk Management also insures State employees against work related injuries as well as employment-related liability claims.

Other Internal Service Funds

Account for other small internal service funds operated by the Finance and Military Departments.

STATE OF ALABAMA

COMBINING STATEMENT OF NET ASSETS
Internal Service Funds

September 30, 2010

(Amounts in Thousands)

	Telecom- munications Fund	Service Division	Correctional Industries	Building Renovation Finance Authority	Risk Management
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ 7,810	\$ 3,241	\$ 4,564	\$ 20,166	\$ 10,067
Investments, Short-term	-	-	-	-	57,827
Due from Other Funds	9,047	1,563	2,372	1,283	1,125
Due from Component Units	282	143	148	-	13
Accounts Receivable	761	264	-	3	1,029
Interest and Dividends Receivable	-	-	-	-	142
Securities Lending Collateral	336	139	197	574	192
Inventory	-	820	8,606	-	-
Other Current Assets	-	-	-	-	10,629
Total Current Assets	18,236	6,170	15,887	22,026	81,024
Noncurrent Assets					
Investments, Long-term	-	-	-	-	85,249
Due From Other Funds, Noncurrent	429	-	-	-	8,857
Due From Component Unit, Noncurrent	-	-	-	-	1,312
Other Noncurrent Assets	-	-	-	794	-
Capital Assets, Net of Accumulated Depreciation	2,403	2,459	2,232	37,260	162
Capital Assets Not Depreciated	-	-	620	24,475	5,139
Total Noncurrent Assets	2,832	2,459	2,852	62,529	100,719
TOTAL ASSETS	21,068	8,629	18,739	84,555	181,743
LIABILITIES					
Current Liabilities					
Warrants Payable	2	-	3	7	310
Salaries Payable	1,289	101	424	272	352
Due to Other Funds	1,018	113	71	12	130
Due to Component Units	22	1	-	-	305
Accounts Payable	4,235	1,404	1,160	628	228
Due to Other Governments	-	-	3	38	-
Claims Payable	-	-	-	-	10,613
Compensated Absences	2	-	-	7	-
Securities Lending Obligation	336	139	197	574	192
Notes and Capital Leases Payable	-	326	-	-	-
Revenue Bonds Payable	-	-	-	7,655	-
Total Current Liabilities	6,904	2,084	1,858	9,193	12,130
Noncurrent Liabilities					
Claims Payable	-	-	-	-	48,669
Compensated Absences	2,552	94	804	402	412
Other Post-employment Benefits	2,047	292	1,140	708	564
Notes and Capital Leases Payable	-	1,017	-	-	-
Revenue Bonds Payable	-	-	-	66,079	-
Other Long-term Liabilities	779	-	-	-	-
Total Noncurrent Liabilities	5,378	1,403	1,944	67,189	49,645
Total Liabilities	12,282	3,487	3,802	76,382	61,775
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	2,403	1,116	2,852	(5,167)	5,301
Restricted for:					
Capital Projects	-	-	-	6,924	-
Unrestricted	6,383	4,026	12,085	6,416	114,667
TOTAL NET ASSETS	\$ 8,786	\$ 5,142	\$ 14,937	\$ 8,173	\$ 119,968

Other Internal Service Funds		Totals	
\$	1,419	\$	47,267
	-		57,827
	-		15,390
	-		586
	-		2,057
	-		142
	61		1,499
	-		9,426
	-		10,629
	1,480		144,823
	-		85,249
	-		9,286
	-		1,312
	-		794
	32		44,548
	-		30,234
	32		171,423
	1,512		316,246
	-		322
	202		2,640
	23		1,367
	-		328
	29		7,684
	-		41
	-		10,613
	-		9
	61		1,499
	-		326
	-		7,655
	315		32,484
	-		48,669
	439		4,703
	422		5,173
	-		1,017
	-		66,079
	-		779
	861		126,420
	1,176		158,904
	32		6,537
	-		6,924
	304		143,881
\$	336	\$	157,342

STATE OF ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Internal Service Funds

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	Telecom- munications Fund	Service Division	Correctional Industries	Building Renovation Finance Authority	Risk Management
OPERATING REVENUES					
Charges for Goods and Services	\$ 42,661	\$ 10,630	\$ 11,121	\$ 854	\$ 315
Premiums and Contributions	-	-	-	-	52,048
Rents and Leases	-	-	-	18,346	-
Total Operating Revenues	42,661	10,630	11,121	19,200	52,363
OPERATING EXPENSES					
Salaries, Wages, and Benefits	16,065	1,304	5,528	3,639	4,171
Utilities and Communications	17,663	71	654	3,581	120
Professional Services	3,598	278	290	1,522	5,660
Supplies, Materials, and Operating Expenses	4,335	7,251	8,382	435	20,541
Interest	-	-	-	3,231	-
Depreciation	1,458	794	485	3,008	83
Claims and Benefits	-	-	-	-	17,674
Other	3,240	1,493	747	1,216	64
Total Operating Expenses	46,359	11,191	16,086	16,632	48,313
Operating Income (Loss)	(3,698)	(561)	(4,965)	2,568	4,050
NONOPERATING REVENUES (EXPENSES)					
Grants	33	5	19	11	10
Investment Income	-	-	-	18	5,033
Other Nonoperating Revenues	196	103	71	6	34
Interest Expense	-	(102)	-	-	-
Other Nonoperating Expenses	-	-	(126)	(19)	-
Total Nonoperating Revenues (Expenses)	229	6	(36)	16	5,077
Income (Loss) Before Contributions and Transfers	(3,469)	(555)	(5,001)	2,584	9,127
Transfers In	1,935	15	4,446	3,994	-
Transfers Out	(60)	(17)	(37)	(27)	(14)
Increase (Decrease) in Net Assets	(1,594)	(557)	(592)	6,551	9,113
Total Net Assets, October 1, 2009, as Restated	10,380	5,699	15,529	1,622	110,855
Total Net Assets, September 30, 2010	\$ 8,786	\$ 5,142	\$ 14,937	\$ 8,173	\$ 119,968

Other Internal Service Funds	Totals
\$ 3,187	\$ 68,768
-	52,048
-	18,346
3,187	139,162
2,911	33,618
31	22,120
368	11,716
49	40,993
-	3,231
16	5,844
-	17,674
153	6,913
3,528	142,109
(341)	(2,947)
6	84
-	5,051
2	412
-	(102)
-	(145)
8	5,300
(333)	2,353
-	10,390
(9)	(164)
(342)	12,579
678	144,763
\$ 336	\$ 157,342

STATE OF ALABAMA

COMBINING STATEMENT OF CASH FLOWS
Internal Service Funds

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	Telecom- munications Fund	Service Division	Correctional Industries	Building Renovation Finance Authority	Risk Management
Cash Flows from Operating Activities:					
Receipts from Customer & User Charges	\$ 1,390	\$ 1,027	\$ 2,108	\$ 18	\$ 31,207
Receipts from Interfund Services	41,334	9,004	8,373	18,767	25,805
Receipts from Other Operating Activities	3,813	10	6	161	315
Payments for Goods Held for Resale	(102)	(6,798)	(7,063)	-	-
Payments for Other Goods & Services	(26,985)	(1,291)	(1,759)	(6,482)	(25,723)
Payments for Employees Services	(15,547)	(1,199)	(5,496)	(3,482)	(3,927)
Payments for Taxes, Fines, Penalties, & Similar Fees	(167)	-	(1)	-	-
Payments for Interfund Services	(1,635)	(448)	(562)	(537)	(1,905)
Payments for Other Operating Activities	(4,611)	-	(186)	(21)	(51)
Payments for Claims	-	-	-	-	(20,630)
Net Cash Provided by (Used In) Operating Activities	(2,510)	305	(4,580)	8,424	5,091
Cash Flows from Noncapital Financing Activities:					
Transfers from Other Funds for Noncapital Financing	1,929	-	3,706	4,083	-
Transfers to Other Funds for Noncapital Financing	(53)	(8)	(37)	(27)	(14)
Net Cash Provided By (Used In)					
Noncapital Financing Activities	1,876	(8)	3,669	4,056	(14)
Cash Flows From Capital & Related Financing Activities:					
Proceeds from Revenue Bonds & Other Capital Debt	-	-	-	29,125	-
Receipts from Sale of Capital Assets & Insurance Proceeds	194	94	24	2	-
Payments to Acquire, Construct, & Improve Capital Assets	(889)	(7)	(245)	(284)	(2,745)
Principal Paid on Revenue Bonds & Other Capital Debt	-	(251)	-	(6,889)	-
Interest Paid on Revenue Bonds & Other Capital Debt	-	(101)	-	(31,152)	-
Net Cash Provided by (Used in)					
Capital and Related Financing Activities	(695)	(265)	(221)	(9,198)	(2,745)
Cash Flows From Investing Activities					
Receipts from Sales & Maturities of Investments	-	-	-	-	176,703
Receipts from Interest & Dividends on Investments & Loans	-	-	-	18	2,870
Purchase of Investments	-	-	-	-	(214,634)
Net Cash Provided By (Used In) Investing Activities	0	0	0	18	(35,061)
Net Increase (Decrease) In Cash and Cash Equivalents	(1,329)	32	(1,132)	3,300	(32,729)
Cash Balance as Restated, October 1, 2009	9,137	3,209	5,693	16,859	42,486
Cash Balance, September 30, 2010	7,808	3,241	4,561	20,159	9,757
Add: Warrants Payable	2	-	3	7	310
Cash and Cash Equivalents,					
as Reported on Balance Sheet	\$ 7,810	\$ 3,241	\$ 4,564	\$ 20,166	\$ 10,067

Other Internal Service Funds	Totals
\$ 2	\$ 35,752
3,185	106,468
2	4,307
-	(13,963)
(214)	(62,454)
(2,788)	(32,439)
-	(168)
(356)	(5,443)
(3)	(4,872)
-	(20,630)
(172)	6,558
-	9,718
(9)	(148)
(9)	9,570
-	29,125
1	315
(26)	(4,196)
-	(7,140)
-	(31,253)
(25)	(13,149)
-	176,703
-	2,888
-	(214,634)
0	(35,043)
(206)	(32,064)
1,625	79,009
1,419	46,945
-	322
\$ 1,419	\$ 47,267

Continued on next page...

STATE OF ALABAMA

COMBINING STATEMENT OF CASH FLOWS (Continued from Previous Page)
Internal Service Funds

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	Telecom- munications Fund	Service Division	Correctional Industries	Building Renovation Finance Authority	Risk Management
Reconciliation of Operating Income (Loss) to Net Cash					
Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ (3,698)	\$ (561)	\$ (4,965)	\$ 2,568	\$ 4,050
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Due from Other Funds	(735)	(262)	(523)	(405)	628
Accounts Receivable	747	(38)	-	9	503
Inventory	-	499	676	-	-
Other Assets	-	-	-	-	(296)
Capital Assets	-	-	-	116	-
Salaries Payable	(23)	4	(58)	(24)	42
Due to Other Funds	(1,198)	98	(192)	(13)	298
Accounts Payable	211	(339)	(98)	(235)	(176)
Due to Other Governments	(167)	-	-	-	-
Claims Payable	-	-	-	-	(126)
Amounts Held Pending Distribution	349	-	-	-	-
Unearned Revenue	-	-	-	-	(381)
Funds Held in Escrow	-	-	-	-	192
Compensated Absences	(19)	17	(183)	(14)	34
Other Post-employment Benefits	527	79	257	184	157
Investment Income	-	-	-	-	56
Operating Interest Expense	-	-	-	3,231	9
Depreciation	1,458	794	485	3,008	83
Nonoperating Revenues	38	15	21	18	18
Nonoperating Expenses	-	(1)	-	(19)	-
Total Adjustments	1,188	866	385	5,856	1,041
Net Cash Provided (Used) by Operating Activities	\$ (2,510)	\$ 305	\$ (4,580)	\$ 8,424	\$ 5,091
Noncash Investing, Capital, and Financing Activities					
Increase (Decrease):					
Transfers and Donations of Capital Assets	4,779	589	90	244	203
Capital Assets Acquired by Capital Lease or Other Debt	-	1,343	-	-	-
Disposals, Write-offs, and Other Reductions to Capital Asset	(3,506)	(175)	(1,121)	(216)	(210)
Revenue Bond Amortizations and Other Debt Adjustments	-	-	-	(1,091)	-
Interest Accruals and Other Adjustments	-	-	-	-	(524)
Unrealized Gains (Losses) in Investment Fair Value	-	-	-	-	(1,605)
Transfers In (Out)	1	(6)	(740)	89	-

Other Internal Service Funds	Totals
\$ (341)	\$ (2,947)
-	(1,297)
-	1,221
-	1,175
-	(296)
-	116
(7)	(66)
6	(1,001)
24	(613)
-	(167)
-	(126)
-	349
-	(381)
-	192
21	(144)
102	1,306
-	56
-	3,240
16	5,844
7	117
-	(20)
169	9,505
<u>\$ (172)</u>	<u>\$ 6,558</u>

1	5,906
-	1,343
(20)	(5,248)
-	(1,091)
-	(524)
-	(1,605)
-	(656)



Pension and Other Employee Benefit Trust Funds

Pension and Other Employee Benefit Trust Funds account for the resources held in trust for members and beneficiaries of retirement plans and other employee benefit plans administered by the State.

Employees' Retirement System

Accounts for the accumulation of resources for pension benefit payments to State employees, State police, and employees of other eligible governmental organizations such as cities and counties within the State.

Teachers' Retirement System

Accounts for the accumulation of resources for pension benefit payments to employees of state-supported educational institutions.

Judicial Retirement Fund

Accounts for the accumulation of resources for pension benefit payments to judges of the State's Supreme Court, Court of Civil Appeals, Court of Criminal Appeals, and Circuit Court.

Peace Officers' Annuity and Benefits

Provides pension benefits to State and local peace officers.

State Port Authority Hourly Plan

Is a retirement fund for certain hourly employees of the Alabama State Port Authority who are not members of the State Employees' Retirement System.

State Port Authority Railway Plan

Is a retirement fund for certain employees of the Alabama State Port Authority who are not members of the State Employees' Retirement System.

Clerks and Registers Supernumerary

Is a pension plan for certain employees of the court system.

Flexible Employees' Benefits Board

Provides a number of benefit programs to State employees such as a cafeteria plan, health care reimbursement accounts, and dependent care reimbursement accounts.

Employee Savings Plans

Accounts for resources contributed by public employees for deferred compensation plans and individual retirement accounts.

Retired Education Employees' Health Care Trust

Provides post-employment health insurance benefits for retired employees of school systems and institutions of higher education.

Retired State Employees' Health Care Trust

Provides post-employment health insurance benefits for retired State employees.

STATE OF ALABAMA

COMBINING STATEMENT OF PLAN NET ASSETS
Pension and Other Employee Benefit Trust Funds

September 30, 2010

(Amounts in Thousands)

	Employees' Retirement System	Teachers' Retirement System	Judicial Retirement Fund	Peace Officers' Annuity and Benefits	State Port Authority Hourly Plan
ASSETS					
Cash and Cash Equivalents	\$ 14,272	\$ 22,919	\$ 1,782	\$ 257	\$ 0
Investments					
U.S. Treasury Securities	319,656	696,921	15,791	2,419	2,439
U.S. Agency Securities	179,440	382,678	9,984	1,091	1,596
Mortgage Backed Securities	142,408	316,296	6,562	3,297	939
Corporate Stocks	3,573,333	7,426,861	106,307	-	1,458
Corporate Bonds	1,424,254	2,923,052	35,713	2,396	3,684
Real Estate	923,235	1,893,380	2,686	-	-
Commercial Paper	229,985	347,431	2,999	-	-
International Stocks	1,101,393	2,488,588	33,219	-	-
Mutual and Money Market Funds	78,596	138,374	5,254	9,428	1,848
Receivables					
Employer Contributions Receivable	30,329	64,509	369	-	-
Member Contributions Receivable	15,197	25,796	114	-	-
Investment Sales Receivable	425,256	923,111	17	-	-
Accounts Receivable	741	1,219	-	2	-
Interest and Dividends Receivable	25,278	54,920	1,094	75	100
Securities Lending Collateral	855,001	1,943,162	29,439	8	2,138
Other Assets	-	-	-	-	-
Capital Assets, Net of Accumulated Depreciation	50,279	100,855	-	10	-
Capital Assets Not Depreciated	2,535	5,085	-	-	-
TOTAL ASSETS	9,391,188	19,755,157	251,330	18,983	14,202
LIABILITIES					
Warrants Payable	\$ 11,004	\$ 18,042	\$ 520	\$ 113	\$ 0
Investment Purchases Payable	343,876	750,027	22	-	-
Salaries Payable	900	1,217	15	28	-
Due to Other Funds	-	-	-	2	-
Accounts Payable	407	813	6	11	-
Due to Other Governments	2	3	-	-	-
Claims Payable	-	-	-	-	-
Securities Lending Obligation	855,001	1,943,162	29,439	8	2,138
Deferred Revenue	-	-	-	-	-
Compensated Absences	1,691	2,591	64	92	-
Other Post-employment Benefits	1,551	1,467	20	45	-
TOTAL LIABILITIES	1,214,432	2,717,322	30,086	299	2,138
NET ASSETS					
Held in Trust for Pension and Other Employee Benefits	8,176,756	17,037,835	221,244	18,684	12,064
TOTAL NET ASSETS	\$ 8,176,756	\$ 17,037,835	\$ 221,244	\$ 18,684	\$ 12,064

State Port Authority Railway Plan	Clerks and Registers Supernumerary	Flexible Employees' Benefits Board	Employee Savings Plans	Retired Education Employees' Health Care	Retired State Employees' Health Care Trust	Totals
\$ 0	\$ 29	\$ 1,098	\$ 956	\$ 0	\$ 0	\$ 41,313
143	2,525	-	274,581	59,930	9,937	1,384,342
93	1,548	-	137,135	35,191	10,104	758,860
55	1,014	-	109,212	23,493	3,278	606,554
85	1	-	197,923	305,705	40,119	11,651,792
216	4,377	-	445,676	80,532	19,670	4,939,570
-	-	-	-	-	-	2,819,301
-	-	-	195,690	114,326	-	890,431
-	-	-	-	101,970	12,157	3,737,327
108	933	-	48,566	46,923	1,526	331,556
-	-	-	-	-	-	95,207
-	-	-	-	-	2	41,109
-	-	-	-	57	-	1,348,441
-	-	223	-	11,396	2,157	15,738
6	108	-	11,319	3,093	694	96,687
125	1,832	47	258,613	54,194	58,753	3,203,312
-	-	-	-	3,231	-	3,231
-	-	-	-	-	-	151,144
-	-	-	-	-	-	7,620
831	12,367	1,368	1,679,671	840,041	158,397	32,123,535
\$ 0	\$ 29	\$ 0	\$ 955	\$ 0	\$ 0	\$ 30,663
-	-	-	20	78	-	1,094,023
-	-	-	-	-	-	2,160
-	-	-	-	-	-	2
-	-	2,626	-	-	-	3,863
-	-	-	-	-	-	5
-	-	-	-	35,383	14,316	49,699
125	1,832	47	258,613	54,194	58,753	3,203,312
-	-	-	-	-	2,158	2,158
-	-	-	-	-	-	4,438
-	-	205	-	-	-	3,288
125	1,861	2,878	259,588	89,655	75,227	4,393,611
706	10,506	(1,510)	1,420,083	750,386	83,170	27,729,924
\$ 706	\$ 10,506	\$ (1,510)	\$ 1,420,083	\$ 750,386	\$ 83,170	\$ 27,729,924

STATE OF ALABAMA

COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
Pension and Other Employee Benefit Trust Funds

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	Employees' Retirement System	Teachers' Retirement System	Judicial Retirement Fund	Peace Officers' Annuity and Benefits	State Port Authority Hourly Plan
ADDITIONS					
Contributions:					
Plan members	\$ 194,977	\$ 319,770	\$ 2,566	\$ 660	\$ 0
Employer	377,974	776,415	10,815	81	1,569
Medicare Part D Retiree Drug Subsidy	-	-	-	-	-
Total Contributions	572,951	1,096,185	13,381	741	1,569
Investment Earnings					
Investment Interest and Dividends	268,708	560,023	6,551	479	541
Net Increase (Decrease) in Fair Value of Investments	427,365	886,997	15,287	1,004	506
Securities Lending Income	5,427	12,072	164	-	9
Total Investment Earnings	701,500	1,459,092	22,002	1,483	1,056
Less:					
Investment Expense	2,588	5,423	-	42	-
Securities Lending Interest and Fees	2,384	5,283	78	-	6
Net Investment Income	696,528	1,448,386	21,924	1,441	1,050
Other Additions					
Licenses and Fees	-	-	-	3,193	-
Miscellaneous	2,165	1,825	-	171	-
Total Other Additions	2,165	1,825	0	3,364	0
Total Additions	1,271,644	2,546,396	35,305	5,546	2,619
DEDUCTIONS					
Benefit Payments and Refunds	759,521	1,611,286	24,759	4,385	905
Administrative Expense	13,705	17,294	288	420	-
Transfers Out	-	-	-	1	-
Total Deductions	773,226	1,628,580	25,047	4,806	905
Changes in Net Assets	498,418	917,816	10,258	740	1,714
Net Assets Held in Trust for Pension and Other Employee Benefits, October 1, 2009, as Restated	7,678,338	16,120,019	210,986	17,944	10,350
Net Assets Held in Trust for Pension and Other Employee Benefits, September 30, 2010	\$ 8,176,756	\$ 17,037,835	\$ 221,244	\$ 18,684	\$ 12,064

State Port Authority Railway Plan	Clerks and Registers Supernumerary	Flexible Employees' Benefits Board	Employee Savings Plans	Retired Education Employees' Health Care	Retired State Employees' Health Care Trust	Totals
\$ 0	\$ 371	\$ 24,602	\$ 118,534	\$ 69,136	\$ 25,081	\$ 755,697
169	-	2,910	-	332,590	99,284	1,601,807
-	-	-	-	27,959	6,794	34,753
169	371	27,512	118,534	429,685	131,159	2,392,257
32	568	-	52,009	17,937	2,895	909,743
53	477	-	55,035	39,820	5,933	1,432,477
1	10	-	1,614	434	131	19,862
86	1,055	0	108,658	58,191	8,959	2,362,082
-	-	-	-	-	-	8,053
-	6	-	921	218	63	8,959
86	1,049	0	107,737	57,973	8,896	2,345,070
-	-	-	-	-	-	3,193
-	-	3	-	-	-	4,164
0	0	3	0	0	0	7,357
255	1,420	27,515	226,271	487,658	140,055	4,744,684
170	348	27,024	78,105	406,218	136,089	3,048,810
-	-	1,834	-	1,059	736	35,336
-	-	-	-	-	-	1
170	348	28,858	78,105	407,277	136,825	3,084,147
85	1,072	(1,343)	148,166	80,381	3,230	1,660,537
621	9,434	(167)	1,271,917	670,005	79,940	26,069,387
\$ 706	\$ 10,506	\$ (1,510)	\$ 1,420,083	\$ 750,386	\$ 83,170	\$ 27,729,924



Private-Purpose Trust Funds

Private-Purpose Trust Funds report trust arrangements where the principal and income benefit individuals, private organizations or other governments.

Prepaid Affordable College Tuition

Accounts for the operation of a prepaid college tuition plan for the benefit of individual citizens of Alabama.

Alabama College Education Savings Plan

Accounts for the operation of an individual college tuition savings plan.

Local Education Endowments

Accounts for the proceeds of several endowments donated by private citizens for the benefit of specific local school systems.

Foundation for Local Schools

Accounts for monies donated by the private sector which are invested and used for the benefit of specific local public schools.

STATE OF ALABAMA

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
Private-Purpose Trust Funds

September 30, 2010

(Amounts in Thousands)

	Prepaid Affordable College Tuition	Alabama College Education Savings Plan	Local Education Endowments	Foundation for Local Schools	Totals
ASSETS					
Cash and Cash Equivalents	\$ 3,972	\$ 1,061	\$ 545	\$ 0	\$ 5,578
Investments					
Time Deposits	-	-	132	-	132
U.S. Treasury Securities	156,358	-	815	195	157,368
U.S. Agency Securities	29,335	-	287	120	29,742
State and Local Government Securities	202	-	-	-	202
Mortgage Backed Securities	68,065	-	322	75	68,462
Corporate Stocks	75,943	-	3,296	-	79,239
Corporate Bonds	83,360	-	1,364	355	85,079
Real Estate	-	-	840	-	840
Commercial Paper	-	-	540	-	540
International Stocks	28,981	-	-	-	28,981
International Bonds	2,190	-	-	-	2,190
Mutual and Money Market Funds	28,184	682,015	302	62	710,563
Commingled Funds	7,567	-	-	-	7,567
Receivables					
Due from Other Funds	21	-	-	-	21
Accounts Receivable	356	-	-	-	356
Interest and Dividends Receivable	2,616	286	1	9	2,912
Securities Lending Collateral	24	3	663	309	999
TOTAL ASSETS	487,174	683,365	9,107	1,125	1,180,771
LIABILITIES					
Warrants Payable	302	-	-	-	302
Salaries Payable	20	2	-	-	22
Due to Other Funds	34	-	-	-	34
Accounts Payable	35,822	855	-	-	36,677
Due to Other Governments	267	-	-	-	267
Securities Lending Obligation	24	3	663	309	999
Compensated Absences	50	-	-	-	50
Other Post-employment Benefits	42	9	-	-	51
TOTAL LIABILITIES	36,561	869	663	309	38,402
NET ASSETS					
Held in Trust for Beneficiaries	450,613	682,496	8,444	816	1,142,369
TOTAL NET ASSETS	\$ 450,613	\$ 682,496	\$ 8,444	\$ 816	\$ 1,142,369

STATE OF ALABAMA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Private-Purpose Trust Funds

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	Prepaid Affordable College Tuition	Alabama College Education Savings Plan	Local Education Endowments	Foundation for Local Schools	Totals
ADDITIONS					
Contributions:					
Plan members	\$ 8,236	\$ 222,852	\$ 0	\$ 0	\$ 231,088
Total Contributions	8,236	222,852	0	0	231,088
Investment Earnings					
Investment Interest and Dividends	15,169	11,310	183	44	26,706
Net Increase (Decrease) in Fair Value of Investments	32,098	44,555	974	40	77,667
Securities Lending Income	154	-	12	1	167
Total Investment Earnings	47,421	55,865	1,169	85	104,540
Less:					
Securities Lending Interest and Fees	48	-	4	1	53
Net Investment Income	47,373	55,865	1,165	84	104,487
Other Additions					
Miscellaneous	259	-	-	-	259
Total Other Additions	259	0	0	0	259
Total Additions	55,868	278,717	1,165	84	335,834
DEDUCTIONS					
Benefit Payments and Refunds	92,249	228,123	11	-	320,383
Administrative Expense	2,230	5,767	-	-	7,997
Transfers Out	-	51	-	-	51
Total Deductions	94,479	233,941	11	0	328,431
Changes in Net Assets	(38,611)	44,776	1,154	84	7,403
Net Assets Held in Trust					
for Beneficiaries, October 1, 2009, as Restated	489,224	637,720	7,290	732	1,134,966
Net Assets Held in Trust					
for Beneficiaries, September 30, 2010	\$ 450,613	\$ 682,496	\$ 8,444	\$ 816	\$ 1,142,369



Agency Funds

Agency Funds report assets held by the State in a purely custodial capacity (assets equal liabilities). Agency funds typically involve the receipt, temporary investment, and remittance of resources to individuals, organizations or other governments.

State Clearing Accounts

Accounts for the collection and distribution of State taxes and licenses as well as amounts collected and held by courts for individuals.

Taxes Collected for Local Governments

Accounts for local taxes which are collected by the State as a service for local governments. These taxes do not represent future revenues of the State.

Payroll

Accounts for amounts withheld from employees that are not yet distributed to outside organizations or governments.

Other Agency Funds

Are aggregated for financial reporting purposes and represent amounts held for child support payments, cash bonds, and numerous other amounts held for individuals and organizations outside of State government.

STATE OF ALABAMA

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
Agency Funds

September 30, 2010

(Amounts in Thousands)

	State Clearing Accounts	Taxes Collected for Local Governments	Payroll	Other Agency Funds	Totals
ASSETS					
Cash and Cash Equivalents	\$ 137,986	\$ 3,470	\$ 3,257	\$ 36,023	\$ 180,736
Investments	-	-	-	62,583	62,583
Due from Other Funds	1	-	7	121	129
Accounts Receivable	6	-	3	17	26
Securities Lending Collateral	501	150	140	1,326	2,117
TOTAL ASSETS	\$ 138,494	\$ 3,620	\$ 3,407	\$ 100,070	\$ 245,591
LIABILITIES					
Warrants Payable	\$ 16,927	\$ 96	\$ 2,434	\$ 3,082	\$ 22,539
Accounts Payable	1	-	-	618	619
Due to Other Governments	591	3,374	-	147	4,112
Securities Lending Obligation	501	150	140	1,326	2,117
Amounts Held in Custody for Others	120,474	-	833	94,897	216,204
TOTAL LIABILITIES	\$ 138,494	\$ 3,620	\$ 3,407	\$ 100,070	\$ 245,591



STATE OF ALABAMA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES Agency Funds

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	Balance October 1, 2009	Additions	Reductions	Balance September 30, 2010
STATE CLEARING ACCOUNTS				
ASSETS				
Cash and Cash Equivalents	\$ 173,509	\$ 16,215,915	\$ 16,251,438	\$ 137,986
Due from Other Funds	-	793	792	1
Accounts Receivable	10	-	4	6
Taxes Receivable	-	570,694	570,694	-
Securities Lending Collateral	2,323	501	2,323	501
TOTAL ASSETS	\$ 175,842	\$ 16,787,903	\$ 16,825,251	\$ 138,494
LIABILITIES				
Warrants Payable	\$ 31,367	\$ 787,563	\$ 802,003	\$ 16,927
Due to Other Funds	-	353,529	353,529	-
Accounts Payable	-	30,046	30,045	1
Tax Refunds Payable	-	230,115	230,115	-
Due to Other Governments	1,712	8,357	9,478	591
Securities Lending Obligation	2,323	501	2,323	501
Amounts Held Pending Distribution	-	29,822,746	29,822,746	-
Deferred Revenue	-	4,907	4,907	-
Amounts Held in Custody for Others	140,440	435,803	455,769	120,474
TOTAL LIABILITIES	\$ 175,842	\$ 31,673,567	\$ 31,710,915	\$ 138,494
TAXES COLLECTED FOR LOCAL GOVTS				
ASSETS				
Cash and Cash Equivalents	\$ 3,112	\$ 258,276	\$ 257,918	\$ 3,470
Securities Lending Collateral	236	150	236	150
TOTAL ASSETS	\$ 3,348	\$ 258,426	\$ 258,154	\$ 3,620
LIABILITIES				
Warrants Payable	\$ 38	\$ 252,247	\$ 252,189	\$ 96
Accounts Payable	-	9,600	9,600	-
Due to Other Governments	1,826	258,447	256,899	3,374
Securities Lending Obligation	236	150	236	150
Amounts Held Pending Distribution	-	1,316	1,316	-
Amounts Held in Custody for Others	1,248	-	1,248	-
TOTAL LIABILITIES	\$ 3,348	\$ 521,760	\$ 521,488	\$ 3,620
PAYROLL				
ASSETS				
Cash and Cash Equivalents	\$ 2,664	\$ 2,436,441	\$ 2,435,848	\$ 3,257
Due from Other Funds	7	122	122	7
Accounts Receivable	2	1	-	3
Securities Lending Collateral	202	140	202	140
TOTAL ASSETS	\$ 2,875	\$ 2,436,704	\$ 2,436,172	\$ 3,407
LIABILITIES				
Warrants Payable	\$ 1,812	\$ 1,941,174	\$ 1,940,552	\$ 2,434
Due to Other Funds	-	290	290	-
Accounts Payable	-	783,503	783,503	-
Securities Lending Obligation	202	140	202	140
Amounts Held Pending Distribution	-	701,001	701,001	-
Amounts Held in Custody for Others	861	587,437	587,465	833
TOTAL LIABILITIES	\$ 2,875	\$ 4,013,545	\$ 4,013,013	\$ 3,407

	Balance October 1, 2009	Additions	Reductions	Balance September 30, 2010
OTHER AGENCY FUNDS				
ASSETS				
Cash and Cash Equivalents	\$ 33,676	\$ 736,738	\$ 734,391	\$ 36,023
Investments	56,743	8,424	2,584	62,583
Due from Other Funds	39	138	56	121
Accounts Receivable	16	239	238	17
Securities Lending Collateral	2,150	1,326	2,150	1,326
TOTAL ASSETS	\$ 92,624	\$ 746,865	\$ 739,419	\$ 100,070
LIABILITIES				
Warrants Payable	\$ 3,672	\$ 321,998	\$ 322,588	\$ 3,082
Due to Other Funds	-	10	10	-
Accounts Payable	692	17,513	17,587	618
Due to Other Governments	54	782	689	147
Securities Lending Obligation	2,150	1,326	2,150	1,326
Amounts Held Pending Distribution	-	344,909	344,909	-
Amounts Held in Custody for Others	86,056	395,432	386,591	94,897
TOTAL LIABILITIES	\$ 92,624	\$ 1,081,970	\$ 1,074,524	\$ 100,070
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash and Cash Equivalents	\$ 212,961	\$ 19,647,370	\$ 19,679,595	\$ 180,736
Investments	56,743	8,424	2,584	62,583
Due from Other Funds	46	1,053	970	129
Accounts Receivable	28	240	242	26
Taxes Receivable	-	570,694	570,694	-
Securities Lending Collateral	4,911	2,117	4,911	2,117
TOTAL ASSETS	\$ 274,689	\$ 20,229,898	\$ 20,258,996	\$ 245,591
LIABILITIES				
Warrants Payable	\$ 36,889	\$ 3,302,982	\$ 3,317,332	\$ 22,539
Due to Other Funds	-	353,829	353,829	-
Accounts Payable	692	840,662	840,735	619
Tax Refunds Payable	-	230,115	230,115	-
Due to Other Governments	3,592	267,586	267,066	4,112
Securities Lending Obligation	4,911	2,117	4,911	2,117
Amounts Held Pending Distribution	-	30,869,972	30,869,972	-
Deferred Revenue	-	4,907	4,907	-
Amounts Held in Custody for Others	228,605	1,418,672	1,431,073	216,204
TOTAL LIABILITIES	\$ 274,689	\$ 37,290,842	\$ 37,319,940	\$ 245,591



Nonmajor Component Units

Higher Education Loan Corporation

Provides Alabama lending institutions with a secondary market for student loans made under the Higher Education Act, which established the Federal Guaranteed Student Loan Program.

Drinking Water Finance Authority

Issues revolving loan bonds and lends the bond proceeds to local governments at below market rates for the construction of drinking water treatment and distribution facilities.

Alabama Agricultural and Mechanical University

Reports the operations and balances of the University.

Alabama State University

Reports the operations and balances of the University.

Jacksonville State University

Reports the operations and balances of the University.

University of North Alabama

Reports the operations and balances of the University.

Troy University

Reports the operations and balances of the University.

Space Science Exhibit Commission

Operates the U.S. Space and Rocket Center and the U.S. Space Camp.

Historical Commission

Preserves and maintains buildings, objects, and sites of historical significance.

Incentives Finance Authority

Issues bonded debt for the purpose of making incentive grants to major industries locating or expanding within the State.

Twenty-first Century Authority

Finances economic development and industrial recruitment incentive grants primarily with debt secured by tobacco settlement revenues.

Other Nonmajor Component Units

Combined totals of other nonmajor component units, which are reported in more detail later in this report.

STATE OF ALABAMA

COMBINING STATEMENT OF NET ASSETS
Nonmajor Component Units

September 30, 2010

(Amounts in Thousands)

	Higher Education Loan Corporation	Drinking Water Finance Authority	Alabama Agricultural and Mechanical University	Alabama State University	Jacksonville State University
ASSETS					
Cash and Cash Equivalents	\$ 12,237	\$ 45,646	\$ 7,790	\$ 109,122	\$ 55,198
Investments	-	54,764	8,996	64,096	34,286
Due from Primary Government	-	500	-	-	-
Accounts Receivable	240	-	21,381	13,938	10,773
Due from Other Governments	-	239,521	-	1,878	-
Interest and Dividends Receivable	3,221	1,177	-	108	-
Mortgages, Notes, and Loans Receivable	67,267	-	15,011	1,966	1,048
Securities Lending Collateral	-	201	-	-	-
Inventory	-	-	-	9	8
Restricted Assets	-	-	-	-	-
Other Assets	935	9,321	13,364	4,951	2,657
Capital Assets, Net of Accumulated Depreciation	-	-	89,941	139,480	58,204
Capital Assets Not Depreciated	-	-	36,180	55,911	63,898
TOTAL ASSETS	83,900	351,130	192,663	391,459	226,072
LIABILITIES					
Warrants Payable	-	1	-	-	-
Salaries Payable	-	-	-	-	3,366
Due to Primary Government	-	1,158	-	-	-
Due to Component Units	-	-	-	-	-
Accounts Payable	112	21	13,792	14,239	5,877
Interest Payable	140	1,043	1,208	-	-
Due to Other Governments	949	26,377	-	-	-
Securities Lending Obligation	-	201	-	-	-
Unearned Revenue	-	-	30,829	17,827	20,276
Amounts Held in Custody for Others	-	-	3,664	-	2,731
Noncurrent Liabilities:					
Due Within One Year	75,100	6,815	3,555	4,075	2,206
Due In More Than One Year	-	166,862	60,004	165,148	82,120
TOTAL LIABILITIES	76,301	202,478	113,052	201,289	116,576
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	-	-	62,666	96,538	39,012
Restricted for:					
Permanent - Expendable	5,216	-	8,361	25,497	23,755
Permanent - Non-expendable	-	-	-	44,954	10,589
Debt Service	-	148,652	5,745	-	6,144
Other Purposes	-	-	10,593	-	-
Unrestricted	2,383	-	(7,754)	23,181	29,996
TOTAL NET ASSETS	\$ 7,599	\$ 148,652	\$ 79,611	\$ 190,170	\$ 109,496

University of North Alabama	Troy University	Space Science Exhibit Commission	Historical Commission	Incentives Finance Authority	Twenty-first Century Authority	Other Nonmajor Component Units	Totals
\$ 40,257	\$ 196,819	\$ 88	\$ 8,494	\$ 40,974	\$ 31,625	\$ 79,687	\$ 627,937
31,807	29,131	-	8,795	-	-	58,783	290,658
-	-	-	1	-	-	370	871
7,341	45,805	1,474	-	-	105,000	18,641	224,593
-	-	-	-	-	-	298	241,697
17	-	-	77	-	-	216	4,816
2,345	2,247	-	-	-	-	486	90,370
-	-	-	1,511	6	12	494	2,224
29	89	401	177	-	-	7,522	8,235
-	-	3,218	-	-	-	1,438	4,656
889	2,600	790	-	689	-	4,358	40,554
59,262	154,496	47,582	500	8,122	588	109,637	667,812
5,642	42,730	6,698	74,043	596	-	25,174	310,872
147,589	473,917	60,251	93,598	50,387	137,225	307,104	2,515,295
-	-	-	254	-	-	32	287
905	-	-	345	-	-	133	4,749
-	-	-	146	-	-	1,587	2,891
-	-	-	-	-	-	1	1
1,598	7,746	2,499	347	-	10	11,261	57,502
432	-	339	-	591	2,472	117	6,342
-	-	-	38	-	-	795	28,159
-	-	-	1,511	6	12	494	2,224
12,864	39,745	1,635	-	-	-	23,130	146,306
532	15,415	-	-	-	-	736	23,078
1,139	4,996	4,928	-	4,935	6,205	5,568	119,522
21,143	120,976	15,433	1,342	137,666	109,682	38,840	919,216
38,613	188,878	24,834	3,983	143,198	118,381	82,694	1,310,277
43,486	93,127	38,743	74,542	8,718	588	108,876	566,296
10,236	21,986	-	-	-	-	13,052	108,103
15,649	16,566	-	8,872	-	-	17,300	113,930
4,242	-	-	-	-	-	-	164,783
-	-	3,668	-	-	-	-	14,261
35,363	153,360	(6,994)	6,201	(101,529)	18,256	85,182	237,645
\$ 108,976	\$ 285,039	\$ 35,417	\$ 89,615	\$ (92,811)	\$ 18,844	\$ 224,410	\$ 1,205,018

STATE OF ALABAMA

COMBINING STATEMENT OF ACTIVITIES
Nonmajor Component Units

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	Higher Education Loan Corporation	Drinking Water Finance Authority	Alabama Agricultural and Mechanical University	Alabama State University	Jacksonville State University
Expenses	\$ 8,490	\$ 16,047	\$ 138,955	\$ 137,885	\$ 114,806
Program Revenues					
Charges for Services	1,338	9,059	46,631	55,264	53,231
Operating Grants and Contributions	-	14,381	52,644	44,914	27,280
Capital Grants and Contributions	-	-	-	6,281	-
Total Program Revenues	1,338	23,440	99,275	106,459	80,511
Net (Expense) Revenue	(7,152)	7,393	(39,680)	(31,426)	(34,295)
General Revenues:					
Grants and Contributions Not Restricted to Specific Programs	-	-	-	-	-
Investment Earnings	-	4,052	214	6,775	5,213
Miscellaneous	-	1,647	1,683	-	7
Contributions to Permanent Funds and Endowments	-	-	-	-	-
Payments from State of Alabama	-	-	39,604	42,438	39,371
Total General Revenues, Special Items, and Transfers	0	5,699	41,501	49,213	44,591
Change in Net Assets	(7,152)	13,092	1,821	17,787	10,296
Net Assets, October 1, 2009, as Restated	14,751	135,560	77,790	172,383	99,200
Net Assets, September 30, 2010	\$ 7,599	\$ 148,652	\$ 79,611	\$ 190,170	\$ 109,496

University of North Alabama	Troy University	Space Science Exhibit Commission	Historical Commission	Incentives Finance Authority	Twenty-first Century Authority	Other Nonmajor Component Units	Totals
\$ 86,492	\$ 258,853	\$ 28,397	\$ 7,890	\$ 9,903	\$ 96,209	\$ 232,204	\$ 1,136,131
42,279	165,253	24,980	1,724	-	-	102,502	502,261
18,168	63,954	29	2,169	-	-	46,484	270,023
4,285	8,284	2,983	295	-	-	1,292	23,420
64,732	237,491	27,992	4,188	0	0	150,278	795,704
(21,760)	(21,362)	(405)	(3,702)	(9,903)	(96,209)	(81,926)	(340,427)
-	-	-	-	-	-	1	1
1,940	3,395	1	915	131	98	4,962	27,696
118	1,498	-	6	-	-	508	5,467
4	-	-	-	-	-	-	4
26,596	48,711	1,436	4,513	20,851	96,446	92,595	412,561
28,658	53,604	1,437	5,434	20,982	96,544	98,066	445,729
6,898	32,242	1,032	1,732	11,079	335	16,140	105,302
102,078	252,797	34,385	87,883	(103,890)	18,509	208,270	1,099,716
\$ 108,976	\$ 285,039	\$ 35,417	\$ 89,615	\$ (92,811)	\$ 18,844	\$ 224,410	\$ 1,205,018

STATE OF ALABAMA

COMBINING STATEMENT OF NET ASSETS
Other Nonmajor Component Units

September 30, 2010

(Amounts in Thousands)

	Supercomputer Authority	U.S.S. Alabama Battleship Commission	Historic Ironworks Commission	University of West Alabama	University of Montevallo
ASSETS					
Cash and Cash Equivalents	\$ 6,639	\$ 1,350	\$ 328	\$ 20,585	\$ 23,151
Investments	-	966	-	3,310	35,444
Due from Primary Government	18	-	-	-	-
Accounts Receivable	-	1	-	6,355	5,986
Due from Other Governments	-	-	-	-	-
Interest and Dividends Receivable	-	-	-	-	-
Mortgages, Notes, and Loans Receivable	-	-	-	-	459
Securities Lending Collateral	286	-	-	-	-
Inventory	-	208	29	931	-
Restricted Assets	-	-	-	-	1,438
Other Assets	105	77	-	759	3,206
Capital Assets, Net of Accumulated Depreciation	2,639	10,209	2,549	13,518	42,473
Capital Assets Not Depreciated	174	255	943	493	1,155
TOTAL ASSETS	9,861	13,066	3,849	45,951	113,312
LIABILITIES					
Warrants Payable	-	-	-	-	-
Salaries Payable	-	-	12	-	-
Due to Primary Government	4	-	-	-	-
Due to Component Units	-	-	-	-	-
Accounts Payable	519	251	43	894	3,864
Interest Payable	-	-	-	53	-
Due to Other Governments	21	-	-	-	497
Securities Lending Obligation	286	-	-	-	-
Unearned Revenue	-	-	-	8,123	9,162
Amounts Held in Custody for Others	-	-	-	31	380
Noncurrent Liabilities:					
Due Within One Year	-	541	47	195	903
Due In More Than One Year	272	399	705	3,681	21,461
TOTAL LIABILITIES	1,102	1,191	807	12,977	36,267
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	2,813	10,464	3,063	13,012	22,687
Restricted for:					
Permanent - Expendable	-	-	-	-	11,122
Permanent - Non-expendable	-	-	-	654	13,668
Unrestricted	5,946	1,411	(21)	19,308	29,568
TOTAL NET ASSETS	\$ 8,759	\$ 11,875	\$ 3,042	\$ 32,974	\$ 77,045

Alabama Institute for the Deaf and Blind	Marine Environmental Sciences Consortium	Red Mountain Recreation Commission	State Industrial Development Authority	Revolving Loan Fund Authority	Crime Victims Compensation Commission	Miscellaneous Component Units	Totals
\$ 10,938	\$ 5,508	\$ 1,073	\$ 3,968	\$ 0	\$ 4,028	\$ 2,119	\$ 79,687
14,831	-	630	-	-	3,602	-	58,783
-	-	-	-	-	2	350	370
4,755	1,544	-	-	-	-	-	18,641
-	-	-	-	-	-	298	298
216	-	-	-	-	-	-	216
27	-	-	-	-	-	-	486
-	-	-	171	-	24	13	494
6,183	140	-	-	-	-	31	7,522
-	-	-	-	-	-	-	1,438
204	-	7	-	-	-	-	4,358
28,907	7,736	21	-	-	1,258	327	109,637
3,163	4,795	14,035	-	-	-	161	25,174
69,224	19,723	15,766	4,139	0	8,914	3,299	307,104
-	-	-	32	-	-	-	32
-	-	-	-	-	121	-	133
-	-	-	-	-	1,333	250	1,587
-	-	-	-	-	1	-	1
5,191	419	-	59	-	21	-	11,261
-	-	-	7	57	-	-	117
-	-	-	139	-	-	138	795
-	-	-	171	-	24	13	494
602	5,243	-	-	-	-	-	23,130
202	121	-	-	-	-	2	736
1,061	46	40	500	560	1,675	-	5,568
2,084	919	761	135	7,770	470	183	38,840
9,140	6,748	801	1,043	8,387	3,645	586	82,694
29,376	12,439	13,276	-	-	1,258	488	108,876
1,839	91	-	-	-	-	-	13,052
2,978	-	-	-	-	-	-	17,300
25,891	445	1,689	3,096	(8,387)	4,011	2,225	85,182
\$ 60,084	\$ 12,975	\$ 14,965	\$ 3,096	\$ (8,387)	\$ 5,269	\$ 2,713	\$ 224,410

STATE OF ALABAMA

COMBINING STATEMENT OF ACTIVITIES
Other Nonmajor Component Units

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	Supercomputer Authority	U.S.S. Alabama Battleship Commission	Historic Ironworks Commission	University of West Alabama	University of Montevallo
Expenses	\$ 9,031	\$ 4,090	\$ 1,665	\$ 55,342	\$ 53,690
Program Revenues					
Charges for Services	2,882	3,559	1,417	33,528	23,940
Operating Grants and Contributions	2	421	211	11,810	11,262
Capital Grants and Contributions	-	56	-	-	-
Total Program Revenues	2,884	4,036	1,628	45,338	35,202
Net (Expense) Revenue	(6,147)	(54)	(37)	(10,004)	(18,488)
General Revenues:					
Grants and Contributions Not Restricted to Specific Programs	-	-	-	-	-
Investment Earnings	-	9	-	49	3,933
Miscellaneous	-	-	-	-	38
Payments from State of Alabama	8,278	-	229	13,796	18,916
Total General Revenues, Special Items, and Transfers	8,278	9	229	13,845	22,887
Change in Net Assets	2,131	(45)	192	3,841	4,399
Net Assets, October 1, 2009, as Restated	6,628	11,920	2,850	29,133	72,646
Net Assets, September 30, 2010	\$ 8,759	\$ 11,875	\$ 3,042	\$ 32,974	\$ 77,045

Alabama Institute for the Deaf and Blind	Marine Environmental Sciences Consortium	Red Mountain Recreation Commission	State Industrial Development Authority	Revolving Loan Fund Authority	Crime Victims Compensation Commission	Miscellaneous Component Units	Totals
\$ 86,341	\$ 11,544	\$ 881	\$ 1,813	\$ 699	\$ 5,306	\$ 1,802	\$ 232,204
30,172	2,540	-	74	-	4,288	102	102,502
11,513	7,008	1,252	-	-	2,770	235	46,484
1,236	-	-	-	-	-	-	1,292
42,921	9,548	1,252	74	0	7,058	337	150,278
(43,420)	(1,996)	371	(1,739)	(699)	1,752	(1,465)	(81,926)
-	-	-	-	-	1	-	1
639	1	14	-	-	295	22	4,962
431	-	-	-	-	30	9	508
42,178	3,499	-	4,107	1,217	81	294	92,595
43,248	3,500	14	4,107	1,217	407	325	98,066
(172)	1,504	385	2,368	518	2,159	(1,140)	16,140
60,256	11,471	14,580	728	(8,905)	3,110	3,853	208,270
\$ 60,084	\$ 12,975	\$ 14,965	\$ 3,096	\$ (8,387)	\$ 5,269	\$ 2,713	\$ 224,410



Supplemental Statements and Schedules

Supplemental Statements and Schedules presents schedules and statements which bring together information spread throughout the statements, presents information in greater detail, or presents information that demonstrates legal compliance.

STATE OF ALABAMA

SCHEDULE OF FEDERAL REVENUES BY AGENCY

All Funds and Component Units, Excluding Amounts Received Directly by Higher Education

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	Amount
Administrative Office of Courts	\$ 794
Agriculture and Industries	3,737
Attorney General	1,840
Child Abuse Prevention	1,464
Children's Affairs	175
Commission On Higher Education	1,678
Conservation and Natural Resources	17,925
Corrections	158,390
Council on the Arts	1,135
Crime Victims Compensation Commission	2,766
Criminal Justice Information Center	2,754
District Attorneys	120
Drinking Water Finance Authority	14,379
Economic and Community Affairs	342,240
Education	1,280,976
Emergency Management	53,861
Environmental Management	28,194
Farmers' Market Authority	1,815
Finance	500
Finance Special Funds	2,346
Forensic Sciences	2,546
Forestry Commission	10,717
Forever Wild Land Trust	2,314
Geological Survey	1,589
Governor's Office of Faith Based and Community Initiatives	1,771
High School of Math and Science	392
Historical Commission	1,555
Human Resources	1,648,456
Industrial Relations	854,683
Labor	158
Manufactured Housing Commission	252
Medicaid	3,968,811
Mental Health	31,814
Military	67,192
Office of Homeland Security	21,910
Other - Medicare Part D	6,794
Other Agencies	444
Pardons and Paroles	224
Postsecondary Education	29,010
Public Health	428,837
Public Library Service	2,782
Public Safety	9,962
Public Service Commission	901
Rehabilitation Services	68,402
Revenue	712
Secretary of State	376
Senior Services	27,907
Soil and Water Conservation Commission	273
State Port Authority	5,598
Surface Mining Commission	1,065
Transportation	928,525
University Stabilization Funds	91,945
Veterans Affairs	13,385
Water Pollution Control Authority	29,189
Total Federal Revenues	\$ 10,177,580

This part of the State of Alabama's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State's overall financial health.

Financial Trends

Page 274

These schedules contain trend information to help the reader understand how the State's financial performance has changed over time.

- ◆ Net Assets by Component
- ◆ Changes in Net Assets
- ◆ Fund Balances of Governmental Funds
- ◆ Changes in Fund Balances of Governmental Funds

Revenue Capacity

Page 284

These schedules contain information to help the reader assess the factors affecting the State's ability to generate its individual income tax and corporate income tax.

- ◆ Major Revenue Base
- ◆ Revenue Rates
- ◆ Principal Revenue Payers

Debt Capacity

Page 290

These schedules present information to help the reader assess the affordability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.

- ◆ Ratios of Outstanding Debt
- ◆ Ratios of General Bonded Debt Outstanding
- ◆ Debt Limitations
- ◆ Pledged Revenue Coverage

Demographic and Economic Information

Page 296

These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.

- ◆ Labor Force Statistics
- ◆ Population/Per Capita Personal Income Statistics
- ◆ Top Ten Employers in Alabama

Operating Information

Page 300

These schedules contain service and infrastructure data to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs.

- ◆ State Government Employment by Function
- ◆ Indicators of Demand or Level of Service
- ◆ Indicators of Volume, Usage and Nature of Capital Assets

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Note: The number of years presented on each schedule varies according to available data.

STATE OF ALABAMA

NET ASSETS BY COMPONENT

For the Last Nine Fiscal Years Ended September 30

(Amounts in Thousands)

	2010	2009	2008	2007	2006
Governmental Activities					
Invested in Capital Assets, Net of Related Debt	\$ 18,552,286	\$ 18,184,809	\$ 17,609,211	\$ 16,973,157	\$ 16,360,753
Restricted	4,879,585	4,448,305	4,624,715	6,020,208	5,853,605
Unrestricted	(820,857)	(555,756)	(223,495)	(113,210)	204,854
Total Governmental Activities Net Assets	22,611,014	22,077,358	22,010,431	22,880,155	22,419,212
Business-type Activities					
Invested in Capital Assets, Net of Related Debt	881,681	867,292	754,001	709,460	643,742
Restricted	102,653	92,470	479,666	513,663	503,024
Unrestricted	143,981	240,059	344,797	284,537	244,630
Total Business-type Activities Net Assets	1,128,315	1,199,821	1,578,464	1,507,660	1,391,396
Primary government					
Invested in Capital Assets, Net of Related Debt	19,433,967	19,052,101	18,363,212	17,682,617	17,004,495
Restricted	4,982,238	4,540,775	5,104,381	6,533,871	6,356,629
Unrestricted	(676,876)	(315,697)	121,302	171,327	449,484
Total Primary Government Net Assets	\$ 23,739,329	\$ 23,277,179	\$ 23,588,895	\$ 24,387,815	\$ 23,810,608

2005	2004	2003	2002
\$ 15,820,864	\$ 15,241,575	\$ 14,774,902	\$ 3,924,791
5,004,105	4,245,991	3,869,559	3,145,156
299,693	310,172	185,427	489,765
21,124,662	19,797,738	18,829,888	7,559,712
508,280	459,250	425,588	433,667
352,524	351,847	365,594	470,196
330,692	204,790	182,270	117,372
1,191,496	1,015,887	973,452	1,021,235
16,329,144	15,700,825	15,200,490	4,358,458
5,356,629	4,597,838	4,235,153	3,615,352
630,385	514,962	367,697	607,137
\$ 22,316,158	\$ 20,813,625	\$ 19,803,340	\$ 8,580,947

STATE OF ALABAMA

CHANGES IN NET ASSETS

For the Last Nine Fiscal Years Ended September 30

(Amounts in Thousands)

	2010	2009	2008	2007	2006
Expenses					
Governmental Activities					
Economic Development and Regulation	\$ 229,170	\$ 306,533	\$ 410,911	\$ 335,373	\$ 215,950
Education and Cultural Resources	6,434,312	6,393,573	7,197,095	6,680,377	5,764,988
Natural Resources and Recreation	149,745	113,621	131,327	131,688	145,414
Health	6,143,253	5,555,138	5,316,763	5,361,666	4,823,686
Social Services	2,364,313	1,977,390	1,753,526	1,678,091	1,627,951
Protection of Persons and Property	1,146,261	1,112,213	1,095,652	1,014,248	1,032,088
Transportation	1,257,094	1,120,902	1,067,671	997,376	1,025,928
General Government	1,067,587	983,451	1,020,453	925,737	819,122
Debt Service - Interest and Other Charges	47,829	51,184	57,253	43,391	42,672
Total Governmental Activities Expenses	18,839,564	17,614,005	18,050,651	17,167,947	15,497,799
Business-type Activities					
Unemployment Compensation	1,323,058	1,005,780	330,068	248,448	232,447
State Port Authority	123,551	127,192	127,200	115,714	89,939
Alabama College System	897,134	829,039	812,195	745,122	683,618
Alcoholic Beverage Control Board	254,001	253,312	249,389	230,370	215,832
Public Education Employees Health Insurance	-	-	-	-	-
Nonmajor Proprietary Funds	45,639	45,339	47,168	45,955	48,972
Total Business-type Activities Expenses	2,643,383	2,260,662	1,566,020	1,385,609	1,270,808
Total Primary Government Expenses	21,482,947	19,874,667	19,616,671	18,553,556	16,768,607
Program Revenues					
Governmental Activities					
Economic Development and Regulation	92,134	178,549	166,008	157,421	146,568
Education and Cultural Resources	42,774	15,435	12,131	12,406	10,070
Natural Resources and Recreation	62,347	72,004	164,709	53,920	54,121
Health	249,149	231,929	204,561	259,598	194,339
Social Services	7,622	6,416	6,590	5,905	6,127
Protection of Persons and Property	231,004	231,722	230,745	208,252	187,325
Transportation	186,440	180,924	198,669	199,489	192,458
General Government	337,486	428,248	573,465	464,574	565,311
Debt Service - Interest and Other Charges	-	-	-	-	-
Operating Grants and Contributions	9,148,048	7,609,718	6,670,099	6,618,419	6,612,934
Capital Grants and Contributions	927,443	812,481	874,111	719,041	801,902
Total Governmental Activities Program Revenues	11,284,447	9,767,426	9,101,088	8,699,025	8,771,155
Business-type Activities					
Unemployment Compensation	411,147	221,086	227,906	228,572	264,895
State Port Authority	120,460	103,422	132,481	108,235	90,998
Alabama College System	179,677	160,839	155,559	152,558	145,714
Alcoholic Beverage Control Board	252,647	250,949	252,265	239,852	219,429
Public Education Employees Health Insurance	-	-	-	-	-
Operating Grants and Contributions	1,176,837	666,931	305,339	270,897	277,667
Capital Grants and Contributions	31,809	49,654	13,717	19,413	45,053
Nonmajor Proprietary Funds	48,504	48,011	47,019	49,548	52,384
Total Business-type Activities Program Revenues	2,221,081	1,500,892	1,134,286	1,069,075	1,096,140
Total Primary Government Program Revenues	\$ 13,505,528	\$ 11,268,318	\$ 10,235,374	\$ 9,768,100	\$ 9,867,295

2005	2004	2003	2002
\$ 185,680	\$ 59,894	\$ 63,623	\$ 66,746
5,203,315	4,833,259	4,755,420	4,607,245
82,841	95,032	101,811	94,449
4,641,314	4,529,302	4,365,295	4,312,713
1,606,588	1,496,160	1,511,438	1,425,124
1,031,731	746,763	692,104	650,341
882,823	856,603	772,935	1,059,637
776,791	726,150	770,431	641,869
43,052	42,083	43,493	64,538
14,454,135	13,385,246	13,076,550	12,922,662
251,137	308,281	410,384	404,133
85,984	74,679	74,894	66,988
646,868	627,846	593,278	545,491
192,278	184,391	177,003	170,550
-	736,669	667,564	581,877
47,838	144,714	127,559	114,199
1,224,105	2,076,580	2,050,682	1,883,238
15,678,240	15,461,826	15,127,232	14,805,900
151,204	155,228	165,122	167,412
10,952	8,352	7,853	12,647
60,111	52,059	369,582	72,072
206,017	142,941	121,827	298,783
4,141	118,185	114,269	111,610
183,281	176,256	173,417	162,981
174,509	168,153	172,801	167,467
460,047	436,115	198,426	324,839
450	3,030	9,398	8,311
6,315,902	5,584,314	5,427,425	5,106,726
673,977	565,871	593,673	802,218
8,240,591	7,410,504	7,353,793	7,235,066
307,724	263,229	239,871	191,825
87,022	77,870	66,749	59,832
146,194	142,786	137,015	123,472
202,959	198,482	184,758	184,182
-	717,546	627,094	600,646
269,667	297,858	324,201	265,425
22,776	6,479	21,121	12,960
167,257	154,604	133,868	109,990
1,203,599	1,858,854	1,734,677	1,548,332
\$ 9,444,190	\$ 9,269,358	\$ 9,088,470	\$ 8,783,398

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STATE OF ALABAMA

CHANGES IN NET ASSETS (Continued from Previous Page)

For the Last Nine Fiscal Years Ended September 30

(Amounts in Thousands)

	2010	2009	2008	2007	2006
Net (Expense)/Revenue					
Governmental Activities	\$ (7,555,117)	\$ (7,846,579)	\$ (8,949,563)	\$ (8,468,922)	\$ (6,726,644)
Business Activities	(422,302)	(759,770)	(431,734)	(316,534)	(174,668)
Total Primary Government					
Net (Expense) Revenue	(7,977,419)	(8,606,349)	(9,381,297)	(8,785,456)	(6,901,312)
General Revenues and Other Changes in Net Assets					
Governmental Activities					
Sales and Use Taxes	2,108,834	2,079,718	2,261,452	2,475,940	2,110,577
Income Taxes	2,973,246	3,108,459	3,512,255	3,446,018	3,172,117
Motor Fuels Taxes	551,210	542,887	550,811	569,369	568,880
Utility Taxes	684,437	697,141	667,573	656,027	601,473
Insurance Premium Tax	263,243	267,726	292,866	278,139	275,230
Property Tax	314,977	320,335	314,181	301,002	266,916
Liquor Taxes	156,098	155,592	136,125	163,161	147,651
Tobacco and Cigarette Taxes	136,311	140,016	143,836	156,700	152,751
Grants and Contributions Not Restricted to Specific Programs	40,323	785	-	-	-
Investment Earnings	315,520	245,601	(141,251)	513,750	284,139
Miscellaneous	879,724	711,769	786,305	792,957	786,250
Contributions to Permanent Funds and Endowments	-	-	-	-	-
Transfers	(335,150)	(357,623)	(444,314)	(379,209)	(321,020)
Total Governmental Activities	8,088,773	7,912,406	8,079,839	8,973,854	8,044,964
Business-type Activities					
Liquor Taxes	10,558	9,930	9,912	9,831	9,314
Grants and Contributions Not Restricted to Specific Programs	-	-	-	-	-
Investment Earnings	2,572	13,172	34,631	40,206	34,056
Miscellaneous	11,561	12,274	13,257	3,421	10,056
Contributions to Permanent Funds and Endowments	102	71	88	131	122
Special Items	(9,147)	-	-	-	-
Transfers	335,150	357,623	444,314	379,209	321,020
Total Business-type Activities	350,796	393,070	502,202	432,798	374,568
Total Primary Government					
General Revenues and Other Charges	8,439,569	8,305,476	8,582,041	9,406,652	8,419,532
Change in Net Assets					
Governmental Activities	533,656	65,827	(869,724)	504,932	1,318,320
Business-type Activities	(71,506)	(366,700)	70,468	116,264	199,900
Total Primary Government Changes in Net Assets	\$ 462,150	\$ (300,873)	\$ (799,256)	\$ 621,196	\$ 1,518,220

2005	2004	2003	2002
\$ (6,213,544)	\$ (5,974,742)	\$ (5,722,757)	\$ (5,687,596)
(20,506)	(217,726)	(316,005)	(334,906)
(6,234,050)	(6,192,468)	(6,038,762)	(6,022,502)
2,086,071	1,873,359	1,821,911	1,659,796
2,938,046	2,494,384	2,520,393	2,049,460
534,696	564,031	530,255	510,342
556,211	598,245	517,757	471,369
274,698	243,761	231,020	223,448
251,960	232,057	213,908	340,557
137,244	129,651	128,746	121,486
157,715	-	-	-
6,159	75,741	84,231	7,018
236,191	173,657	210,143	113,966
688,857	911,405	911,336	866,276
2	-	204	680
(261,067)	(229,114)	(226,788)	(216,423)
7,606,783	7,067,177	6,943,116	6,147,975
8,598	8,492	7,790	7,440
-	-	1,806	112,684
25,124	22,658	29,605	27,253
4,330	2,765	2,026	2,045
201	6	207	174
-	-	-	-
261,067	229,114	226,788	216,423
299,320	263,035	268,222	366,019
7,906,103	7,330,212	7,211,338	6,513,994
1,393,239	1,092,435	1,220,359	460,379
278,814	45,309	(47,783)	31,113
\$ 1,672,053	\$ 1,137,744	\$ 1,172,576	\$ 491,492

STATE OF ALABAMA

FUND BALANCES OF GOVERNMENTAL FUNDS

For the Last Nine Fiscal Years Ended September 30

(Amounts in Thousands)

	2010	2009	2008	2007	2006
General Fund					
Reserved	\$ 5,474	\$ 5,519	\$ 5,303	\$ 5,772	\$ 3,314
Unreserved	77,405	216,623	376,391	399,009	401,393
Total General Fund	82,879	222,142	381,694	404,781	404,707
All Other Governmental Funds					
Reserved	3,450,427	3,163,363	3,191,402	3,498,507	3,165,956
Unreserved, Designated for Capital Projects	153,318	83,481	185,790	441,221	275,528
Unreserved, Designated for Debt Service	806	1,085	4,630	5,449	4,866
Unreserved, Undesignated, Reported In:					
Special Revenue Funds	1,358,522	1,192,314	1,351,620	2,133,319	2,607,528
Permanent Funds	24,374	30,201	24,938	20,659	16,173
Total All Other Governmental Funds	\$ 4,987,447	\$ 4,470,444	\$ 4,758,380	\$ 6,099,155	\$ 6,070,051

2005	2004	2003	2002
\$ 6,003	\$ 4,228	\$ 4,699	\$ 4,087
317,879	232,501	158,346	147,941
323,882	236,729	163,045	152,028

2,888,340	2,667,067	2,528,464	2,452,710
292,934	381,579	465,437	498,935
4,606	8,208	8,979	9,249
2,105,050	1,480,649	1,226,798	733,488
12,147	4,538	4,708	2,123
\$ 5,303,077	\$ 4,542,041	\$ 4,234,386	\$ 3,696,505

STATE OF ALABAMA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

For the Last Nine Fiscal Years Ended September 30

(Amounts in Thousands)

	2010	2009	2008	2007	2006
Revenues					
Taxes	\$ 8,074,508	\$ 8,010,768	\$ 8,646,397	\$ 8,627,293	\$ 8,126,310
Licenses, Permits, and Fees	664,963	657,292	647,535	650,635	608,770
Fines, Forfeits, and Court Settlements	150,366	254,739	254,179	143,149	136,901
Investment Income	313,159	243,477	(142,347)	520,517	300,993
Federal Grants and Reimbursements	9,306,121	7,606,333	6,697,069	6,380,166	6,643,162
Other Revenues	1,198,260	1,244,254	1,523,910	1,550,167	1,379,482
Total Revenues	19,707,377	18,016,863	17,626,743	17,871,927	17,195,618
Expenditures					
Economic Development and Regulation	204,464	226,554	214,211	201,026	185,916
Education and Cultural Resources	6,427,782	6,388,357	7,166,373	6,575,887	5,722,732
Natural Resources and Recreation	183,387	164,682	194,725	133,234	171,825
Health	6,129,642	5,535,484	5,299,205	5,362,737	4,813,599
Social Services	2,350,328	1,969,621	1,717,523	1,693,797	1,625,180
Protection of Persons and Property	1,114,794	1,085,493	1,025,662	982,932	1,011,393
Transportation	1,560,242	1,577,388	1,556,330	1,522,329	1,512,116
General Government	1,054,077	959,411	987,450	934,355	840,293
Capital Outlay	42,525	92,995	272,032	168,402	56,835
Debt Service - Principal Retirement	50,493	56,388	71,213	68,616	81,727
Debt Service - Interest and Other Charges	52,672	47,655	61,514	48,336	40,319
Total Expenditures	19,170,406	18,104,028	18,566,238	17,691,651	16,061,935
Other Financing Sources (Uses)					
Transfers In	1,247,478	1,391,457	1,841,818	1,520,089	1,460,110
Transfers Out	-	(1,757,948)	(2,289,913)	(1,907,908)	(1,791,969)
Bonds Issued	110,000	-	10,000	305,000	61,150
Refunding Bonds Issued	112,030	-	22,660	-	-
Other Debt Refunding Proceeds	-	-	-	-	-
Payments to Refunded Bond Escrow Agent	-	-	-	-	-
Current Refunding to Bondholders	-	-	(23,625)	-	-
Other Debt Refunding Uses	-	-	-	-	-
Capital Leases	2,322	9,504	171	11,738	1,989
Other Debt Issued	62,136	-	-	-	-
Other Debt Proceeds	-	-	-	-	-
Debt Issuance Premiums	20,746	-	1,210	9,333	1,085
Premiums on Debt	-	-	-	-	-
Discounts on Debt	-	-	-	-	-
Insurance Recovery Proceeds	3,465	-	-	-	-
Transfers Out	(1,592,790)	-	-	-	-
Payments to Refunded Bond Escrow Agent	(74,415)	-	-	-	-
Current Refunding to Bondholders	(52,610)	-	-	-	-
Insurance Recovery Proceeds	-	2,395	4,579	3,024	7,725
Total Other Financing Sources (Uses)	(161,638)	(354,592)	(433,100)	(58,724)	(259,910)
Net Increase (Decrease) for the Year	375,333	(441,757)	(1,372,595)	121,552	873,773
Debt Service as a Percentage of Noncapital Expenditures	0.55%	0.6%	0.73%	0.67%	0.76%

2005	2004	2003	2002
\$ 7,566,234	\$ 6,794,734	\$ 6,535,274	\$ 5,914,363
562,461	532,118	502,493	497,191
149,040	142,831	182,762	156,161
227,980	183,922	204,596	100,127
6,216,771	5,675,945	5,515,520	5,321,974
1,309,343	1,347,930	1,511,073	1,335,183
16,031,829	14,677,480	14,451,718	13,324,999
185,558	60,763	65,914	67,862
5,198,444	4,818,434	4,764,303	4,583,729
120,188	120,095	108,638	96,462
4,639,203	4,527,847	4,354,296	4,290,436
1,610,677	1,496,323	1,510,823	1,411,889
1,005,967	730,780	680,605	610,113
1,399,903	1,354,816	1,277,739	1,419,426
726,704	680,002	679,532	646,599
66,823	55,833	48,636	38,983
78,195	73,650	81,963	63,716
37,201	38,282	40,125	86,902
15,068,863	13,956,825	13,612,574	13,316,117
1,254,049	993,669	1,004,619	712,776
(1,527,416)	(1,239,110)	(1,239,551)	(917,652)
103,920	-	4,305	345,708
57,975	-	17,553	-
-	600	-	-
(27,949)	-	-	-
-	-	(17,162)	-
-	(600)	-	-
659	1,152	618	2,048
-	-	-	-
-	-	3,634	4,696
-	-	-	-
5,242	-	-	-
(580)	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
(134,100)	(244,289)	(225,984)	147,576
828,866	476,366	613,160	156,458
0.77%	0.81%	0.9%	1.13%

STATE OF ALABAMA

REVENUE CAPACITY

Major Revenue Base: Personal Income by Industry

Last Ten Years

(Amounts in Thousands)

Industry	2009	2008	2007	2006	2005
Mining	\$ 1,113,520	\$ 1,207,226	\$ 888,973	\$ 927,201	\$ 819,878
Utilities	1,521,832	1,532,185	1,505,084	1,461,577	1,379,863
Construction	5,955,872	7,142,973	7,561,603	7,430,022	6,856,163
Manufacturing	15,348,846	16,886,871	16,802,906	16,691,485	15,768,861
Wholesale Trade	5,168,987	5,607,467	5,544,499	5,271,910	4,919,964
Retail Trade	7,180,993	7,513,329	7,839,744	7,677,074	7,444,056
Transportation and warehousing	3,292,495	3,541,010	3,530,194	3,503,655	3,298,282
Finance and insurance	5,463,089	5,569,285	5,469,195	5,381,623	4,905,734
Professional and technical services	9,353,256	9,251,168	8,401,970	7,927,651	7,231,733
Government and government enterprises	24,835,422	23,989,465	22,758,206	21,209,975	20,011,959
All other	77,850,326	76,327,301	71,563,426	66,980,434	62,999,800
Total Personal Income	\$ 157,084,638	\$ 158,568,280	\$ 151,865,800	\$ 144,462,607	\$ 135,636,293
 State Income Taxes	 \$ 2,699,218	 \$ 3,035,142	 \$ 3,018,748	 \$ 2,842,894	 \$ 2,564,510
 Average Effective Rate*	 1.72%	 1.91%	 1.99%	 1.97%	 1.89%

Source: Bureau of Economic Analysis, U.S. Department of Commerce

*Note: The average rate for personal income equals state income taxes divided by total personal income.

Year 2009 is the most recent year data is available.

2004	2003	2002	2001	2000
\$ 704,622	\$ 620,247	\$ 631,854	\$ 603,891	\$ 670,384
1,434,165	1,373,643	1,289,212	1,265,693	1,106,190
6,399,496	5,943,943	5,800,633	5,848,027	5,556,246
15,078,104	14,636,176	14,262,807	14,296,560	14,334,955
4,589,285	4,234,540	4,161,318	4,039,512	3,910,306
7,102,701	6,853,885	6,547,809	6,276,564	5,988,922
3,054,182	2,792,150	2,712,539	2,728,910	2,703,186
4,513,950	4,270,540	3,992,781	3,718,181	3,398,283
6,932,098	6,463,965	5,983,788	5,772,977	5,244,429
18,892,332	17,872,867	16,912,555	15,968,397	15,306,618
59,318,578	54,999,511	53,118,688	51,494,121	48,931,327
\$ 128,019,513	\$ 120,061,467	\$ 115,413,984	\$ 112,012,833	\$ 107,150,846
\$ 2,256,483	\$ 2,073,207	\$ 2,067,338	\$ 2,099,772	\$ 2,066,789
1.76%	1.73%	1.79%	1.87%	1.93%

REVENUE CAPACITY

[illegible]

Source: Alabama Department of Revenue

STATE OF ALABAMA

REVENUE CAPACITY

Principal Revenue Payers: Individual Income Tax Filers and Liability by Taxable Income

Last Four Years

For Tax Year 2008

Adjusted Gross Income Level	Number of Filers	Percentage of Total	Total Income (In Thousands)	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
LESS THAN 12,000	514,586	28%	\$ 582,000	1%	\$ 22,000	1%
12,001- 24,000	377,749	20%	3,544,000	7%	161,000	6%
24,001- 39,000	301,812	16%	5,762,000	11%	269,000	11%
39,001- 60,000	253,458	14%	7,658,000	15%	359,000	15%
60,001- 80,000	146,330	8%	6,389,000	12%	300,000	12%
OVER 80,000	265,237	14%	28,258,000	54%	1,344,000	55%
TOTAL	1,859,172	100%	\$ 52,193,000	100%	\$ 2,455,000	100%

For Tax Year 2007

Adjusted Gross Income Level	Number of Filers	Percentage of Total	Total Income (In Thousands)	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
LESS THAN 12,000	526,003	27%	\$ 500,255	1%	\$ 25,258	1%
12,001- 24,000	416,646	21%	2,166,023	4%	159,353	6%
24,001- 39,000	330,490	17%	5,409,918	10%	289,406	10%
39,001- 60,000	268,594	14%	7,771,910	14%	387,854	14%
60,001- 80,000	151,822	8%	6,498,782	12%	320,206	12%
OVER 80,000	272,191	13%	33,444,956	59%	1,576,154	57%
TOTAL	1,965,746	100%	\$ 55,791,844	100%	\$ 2,758,231	100%

For Tax Year 2006

Adjusted Gross Income Level	Number of Filers	Percentage of Total	Total Income (In Thousands)	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
Less Than 10,000	372,455	22%	\$ 1,824,101	3%	\$ 22,525	2%
10,001- 20,000	326,257	20%	4,812,957	9%	107,094	7%
20,001- 40,000	408,237	24%	11,726,591	21%	273,349	18%
40,001- 60,000	216,114	13%	8,633,188	16%	230,940	15%
60,001- 80,000	130,007	8%	5,016,392	9%	192,987	13%
Over 80,000	211,074	13%	23,384,310	42%	680,800	45%
TOTAL	1,664,144	100%	\$ 55,397,539	100%	\$ 1,507,695	100%

For Tax Year 2005

Adjusted Gross Income Level	Number of Filers	Percentage of Total	Total Income (In Thousands)	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
Less Than 10,000	382,264	24%	\$ 1,846,134	3%	\$ 23,678	1%
10,001- 20,000	325,968	20%	4,795,552	7%	114,997	6%
20,001- 40,000	396,010	24%	11,383,672	17%	328,108	17%
40,001- 60,000	206,285	13%	10,121,727	16%	302,402	16%
60,001- 80,000	125,030	8%	8,670,249	13%	267,624	14%
Over 80,000	185,030	11%	28,459,458	44%	895,822	46%
TOTAL	1,620,587	100%	\$ 65,276,792	100%	\$ 1,932,631	100%

Note: Due to legal confidentiality issues, the names of the ten largest individual income tax payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's income tax revenue.

Source: Alabama Department of Revenue
Year 2008 is the most recent data available.

STATE OF ALABAMA

REVENUE CAPACITY

Principal Revenue Payers: Corporate Income Tax Filers and Liability by Taxable Income

Last Four Years

For Tax Year 2008

Alabama Taxable Income	Number of Filers	Percentage of Total	Taxable Income (In Thousands)	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
50,000 and lower	18,919	83%	\$94,865	1%	\$6,978	2%
50,001 - 100,000	1,209	5%	86,045	1%	5,466	1%
100,001 - 500,000	1,574	7%	358,665	5%	25,347	7%
500,001 - 1,000,000	403	2%	278,934	4%	16,654	4%
1,000,001 and higher	754	3%	6,810,526	89%	338,165	86%
Total	22,859	100%	\$7,629,035	100%	\$392,610	100%

For Tax Year 2007

Alabama Taxable Income	Number of Filers	Percentage of Total	Taxable Income (In Thousands)	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
50,000 and lower	20,384	82%	\$104,788	1%	\$6,815	1%
50,001 - 100,000	1,400	6%	98,119	1%	6,378	1%
100,001 - 500,000	1,805	7%	413,149	5%	26,855	5%
500,001 - 1,000,000	467	2%	330,282	4%	21,468	4%
1,000,001 and higher	784	3%	7,557,012	89%	491,206	89%
Total	24,840	100%	\$8,503,350	100%	\$552,722	100%

For Tax Year 2006

Alabama Taxable Income	Number of Filers	Percentage of Total	Taxable Income (In Thousands)	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
50,000 and lower	20,673	83%	\$110,469	1%	\$7,355	1%
50,001 - 100,000	1,421	5%	99,716	1%	6,487	1%
100,001 - 500,000	1,735	7%	397,866	5%	25,872	5%
500,001 - 1,000,000	458	2%	328,316	4%	21,311	4%
1,000,001 and higher	767	3%	7,229,243	89%	469,768	89%
Total	25,054	100%	\$8,165,610	100%	\$530,793	100%

For Tax Year 2005

Alabama Taxable Income	Number of Filers	Percentage of Total	Taxable Income (In Thousands)	Percentage of Total	Tax Liability (In Thousands)	Percentage of Total
50,000 and lower	28,371	89%	\$94,487	2%	\$6,141	2%
50,001 - 100,000	1,166	4%	82,080	1%	5,209	1%
100,001 - 500,000	1,392	4%	306,367	5%	20,079	5%
500,001 - 1,000,000	362	1%	257,795	4%	16,642	4%
1,000,001 and higher	545	2%	5,224,215	88%	339,126	88%
Total	31,836	100%	\$5,964,944	100%	\$387,197	100%

Note: Due to legal confidentiality issues, the names of the ten largest corporate income tax payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's income tax revenue.

Source: Alabama Department of Revenue
Year 2008 is the most recent data available.



STATE OF ALABAMA

DEBT CAPACITY

Ratios of Outstanding Debt

Last Nine Fiscal Years

(Amounts in Thousands, Except Per Capita Amount)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Primary Government					
Governmental Activities:					
General Obligation Bonds	\$ 769,330	\$ 687,336	\$ 721,145	\$ 773,253	\$ 516,973
Revenue Bonds	274,283	298,712	323,483	333,438	355,698
Capital Leases/Notes/Mortgages	117,115	43,549	41,934	42,352	25,643
Total Governmental Activities	<u>1,160,728</u>	<u>1,029,597</u>	<u>1,086,562</u>	<u>1,149,043</u>	<u>898,314</u>
Business-type Activities:					
Revenue Bonds	638,109	619,360	612,959	572,782	394,044
Capital Leases/Notes/Mortgages	11,688	14,275	16,224	20,877	39,228
Total Business-Type Activities	<u>649,797</u>	<u>633,635</u>	<u>629,183</u>	<u>593,659</u>	<u>433,272</u>
Total Primary Government	<u><u>\$ 1,810,525</u></u>	<u><u>\$ 1,663,232</u></u>	<u><u>\$ 1,715,745</u></u>	<u><u>\$ 1,742,702</u></u>	<u><u>\$ 1,331,586</u></u>
Debt as a percentage of Personal Income †	1.15%	1.06%	1.08%	1.15%	0.92%
Amount of Debt per Capita †	\$ 385	\$ 353	\$ 367	\$ 376	\$ 290

Notes: Details regarding the state's outstanding debt can be found in the note 4 of the financial statements.

Fiscal year 2010 personal income and population data are estimated.

All years presented with revised population and personal income data.

† See the Schedule of Demographic and Economic Statistics on page 297 for personal income and population data.

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 507,503	\$ 445,211	\$ 490,085	\$ 535,080
351,139	347,429	369,327	386,891
32,100	38,370	42,316	33,059
<u>890,742</u>	<u>831,010</u>	<u>901,728</u>	<u>955,030</u>
411,633	337,291	308,061	299,508
33,986	17,918	14,948	12,346
<u>445,619</u>	<u>355,209</u>	<u>323,009</u>	<u>311,854</u>
<u><u>\$ 1,336,361</u></u>	<u><u>\$ 1,186,219</u></u>	<u><u>\$ 1,224,737</u></u>	<u><u>\$ 1,266,884</u></u>
0.99%	0.93%	1.02%	1.10%
\$ 294	\$ 263	\$ 273	\$ 283

STATE OF ALABAMA

DEBT CAPACITY

Ratios of General Bonded Debt Outstanding

Last Nine Fiscal Years

(Amounts in Thousands, Except Per Capita Amount)

Primary Government

Fiscal Year	General Obligation Bonds Payable	Revenue Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Personal Income †	Per Capita †
2010	\$ 769,330	\$ 912,392	\$ 47,562	\$ 1,634,160	1.04%	\$ 347
2009	687,336	918,072	40,925	1,564,483	1.00%	332
2008	721,145	936,442	42,914	1,614,673	1.02%	345
2007	773,253	906,220	29,930	1,649,543	1.09%	356
2006	516,973	749,742	25,945	1,240,770	0.86%	270
2005	507,503	762,772	25,008	1,245,267	0.92%	274
2004	445,211	684,720	28,844	1,101,087	0.86%	244
2003	490,085	677,388	30,016	1,137,457	0.95%	253
2002	535,079	686,398	42,483	1,178,994	1.02%	264

Component Units (Only includes issues that the State has pledged revenue for principal payment)

Fiscal Year	Revenue Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Personal Income †	Per Capita †
2010	\$ 2,768,732	\$ 109,337	\$ 2,659,395	1.69%	\$ 565
2009	2,534,100	46,175	2,487,925	1.58%	528
2008	2,621,615	99,039	2,522,576	1.59%	539
2007	1,620,570	113,650	1,506,920	0.99%	325
2006	1,734,825	72,209	1,662,616	1.15%	362
2005	1,822,135	111,376	1,710,759	1.26%	376
2004	1,832,695	112,896	1,719,799	1.34%	381
2003	1,844,164	103,307	1,740,857	1.45%	388
2002	1,886,421	91,252	1,795,169	1.56%	401

Note: Details regarding the state's outstanding debt can be found in the note 4 of the financial statements.

† See the Schedule of Demographic and Economic Statistics on page 297 for personal income and population data.

Fiscal year 2010 personal income and population data are estimated.

All years presented with revised population and personal income data.

Debt Limitations

The *Constitution of Alabama of 1901* prohibits the issuance of debt by the State. The State does issue revenue bonds which are limited obligations of public corporations governed by state officials.



STATE OF ALABAMA

DEBT CAPACITY

Pledged Revenue Coverage

Last Seven Fiscal Years

(Amounts in Thousands)

	2010	2009	2008	2007	2006	2005	2004
<u>Primary Government - Revenue Bonds</u>							
State Port Authority							
Revenue-Charges for facilities usage	106,460	103,420	125,070	109,735	88,155	87,022	77,871
Debt Service							
Principal	7,165	6,830	7,250	6,260	5,910	5,575	5,280
Interest	12,361	14,656	13,428	9,770	10,124	10,459	10,749
Coverage ¹	5.45	4.81	6.05	6.85	5.50	5.43	4.86
Alabama College System							
Revenue-Tuition and Fees	267,009	206,769	186,429	184,664	137,133	185,013	101,333
Debt Service							
Principal	14,955	14,150	14,311	12,970	12,045	9,112	7,527
Interest	11,393	12,198	12,027	9,448	9,968	6,521	5,589
Coverage ¹	10.13	7.85	7.08	8.24	6.23	11.83	7.73
Federal Highway Finance Authority							
Revenue-Federal Revenue	979,460	726,063	831,530	748,952	790,928	648,831	548,830
Debt Service							
Principal	13,010	12,450	11,920	11,415	10,910	10,430	9,970
Interest	5,890	6,527	7,136	7,669	8,123	8,550	8,983
Coverage ¹	51.82	38.26	43.64	39.25	41.56	34.18	28.96
<u>Component Units-Revenue Bonds</u>							
Alabama Incentives Financing Authority							
Tennessee Valley Exhibit Commission							
Revenue-Tennessee Valley Electric Payment	20,851	20,813	19,313	18,328	18,592	17,462	16,169
Debt Service							
Principal	140	1,760	2,630	2,480	2,340	2,205	2,095
Interest	6,638	5,982	6,202	7,473	7,920	7,508	7,001
Coverage ¹	3.08	2.69	2.19	1.84	1.81	1.80	1.78
Public School and College Authority							
Revenue-General Sales Tax, Utility Tax, Use Tax	2,328,626	2,307,959	2,514,550	2,482,747	2,374,944	2,162,285	2,048,794
Debt Service							
Principal	71,235	130,720	91,215	87,765	110,240	72,640	68,290
Interest	132,698	116,126	93,359	72,688	76,720	78,218	77,371
Coverage ¹	11.42	9.35	13.62	15.47	12.70	14.33	14.07

	2010	2009	2008	2007	2006	2005	2004
State Industrial Development Authority							
Revenue-Cigarette Tax	4,654	4,773	4,921	5,121	5,247	5,197	3,141
Debt Service							
Principal	1,900	3,100	3,315	3,115	3,050	3,050	3,050
Interest	112	258	343	508	647	776	927
Coverage ¹	2.31	1.42	1.35	1.41	1.42	1.36	0.79
Mental Health Financing Authority							
Revenue-Cigarette Tax	6,205	6,364	6,562	6,828	6,996	6,929	4,188
Debt Service							
Principal	1,190	4,710	4,775	4,490	4,420	5,590	5,400
Interest	270	505	745	969	1,145	2,544	2,302
Coverage ¹	4.25	1.22	1.19	1.25	1.26	0.85	0.54
Alabama Revolving Fund Authority							
Revenue-Mobile Telecommunications Tax	105,919	108,781	101,287	101,057	90,919	84,892	75,895
Debt Service							
Principal	515	475	440	405	370	345	315
Interest	702	743	780	815	847	876	903
Coverage ¹	87.03	89.31	83.02	82.83	74.71	69.53	62.31
Alabama Twenty-first Century Authority							
Revenue-Tobacco Settlement	13,000	13,000	13,000	13,000	13,000	13,000	13,000
Debt Service							
Principal	5,910	5,625	5,360	5,100	4,855	4,660	4,490
Interest	6,659	6,958	7,241	7,513	7,773	8,022	8,262
Coverage ¹	1.03	1.03	1.03	1.03	1.03	1.03	1.02

Details regarding the state's outstanding bonds can be found in Note 4 of the financial statements.

¹ Coverage equals revenue divided by debt service.

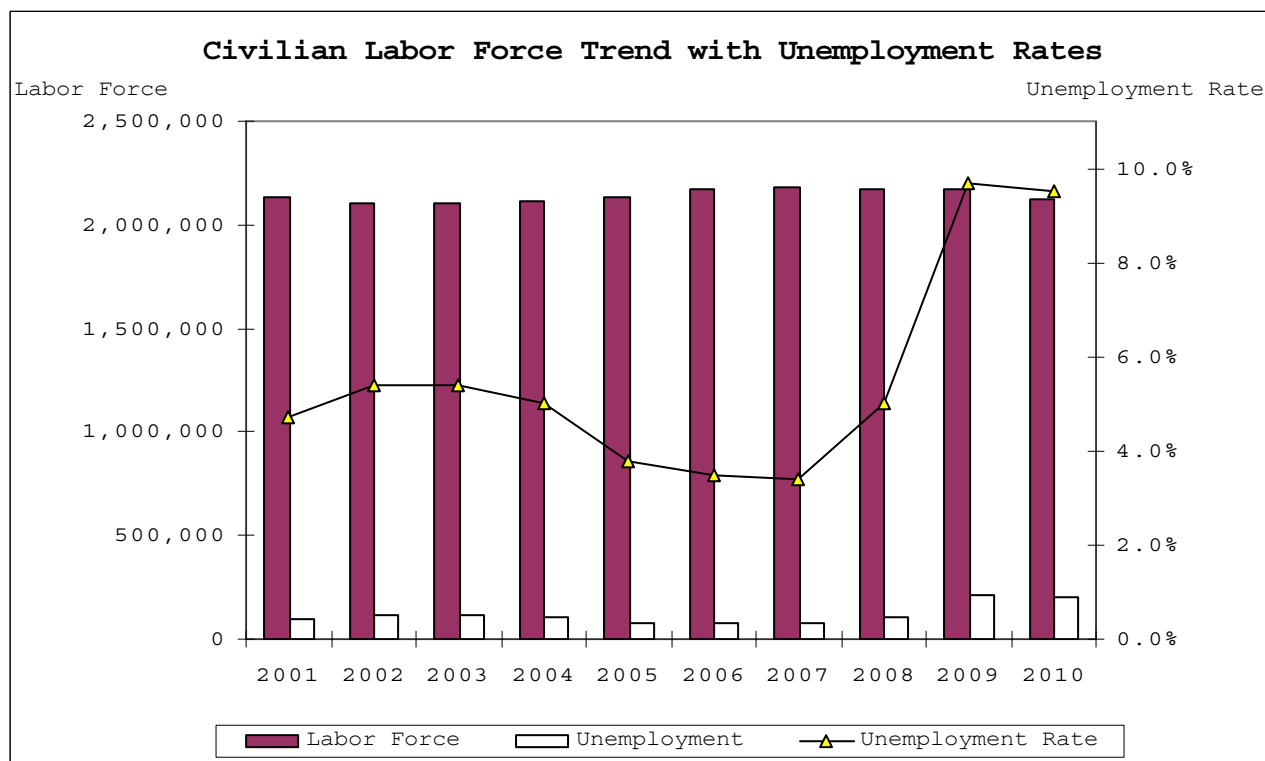
STATE OF ALABAMA

DEMOGRAPHIC AND ECONOMIC INFORMATION

Labor Force Statistics

Last Ten Years

<u>Year</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
2001	2,134,845	2,034,909	99,936	4.7%
2002	2,107,858	1,994,748	113,110	5.4%
2003	2,104,209	1,989,784	114,425	5.4%
2004	2,113,781	2,007,153	106,628	5.0%
2005	2,133,177	2,051,893	81,284	3.8%
2006	2,173,817	2,098,462	75,355	3.5%
2007	2,184,074	2,108,873	75,201	3.4%
2008	2,169,967	2,061,601	108,366	5.0%
2009	2,170,887	1,959,849	211,038	9.7%
2010	2,127,211	1,925,064	202,147	9.5%



Note: Data were not seasonally adjusted.

2006-2010 data reflects revised population controls and model reestimation with the Bureau of Labor Statistics.

Sources: Local Area Unemployment Statistics, Bureau of Labor Statistics, U. S. Department of Labor

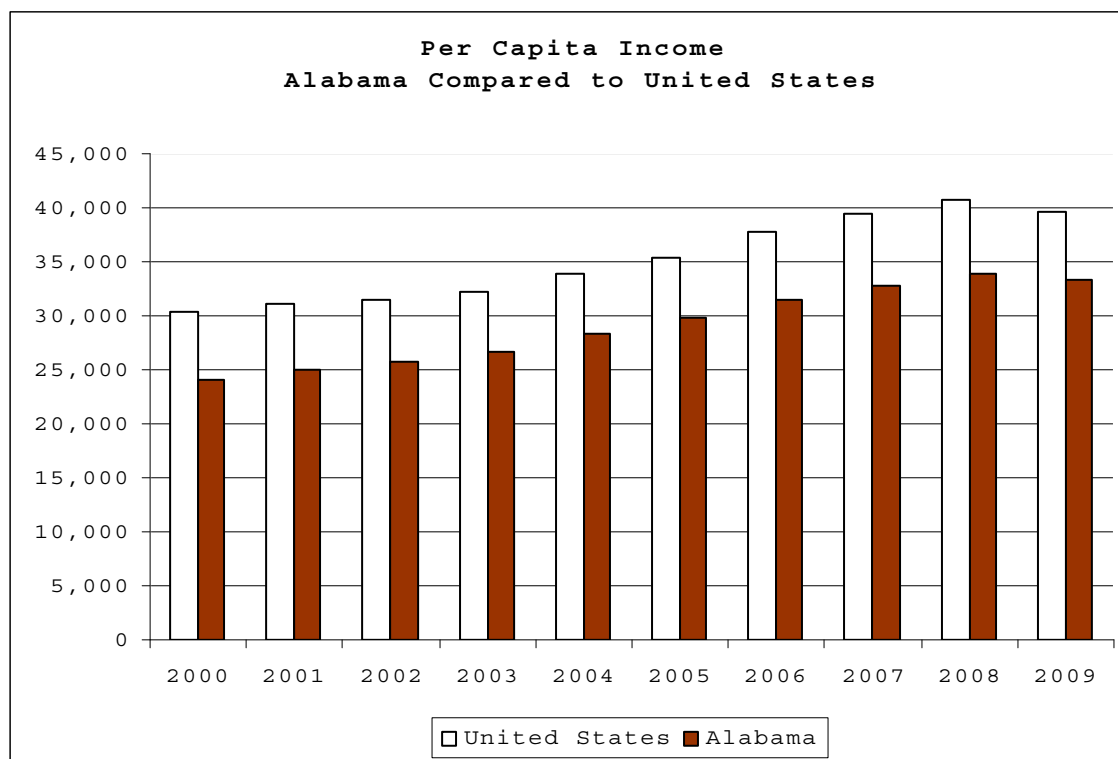
STATE OF ALABAMA

DEMOGRAPHIC AND ECONOMIC INFORMATION

Population/Per Capita Personal Income Statistics

Last Ten Years

<u>Year</u>	<u>Population</u>		<u>Per Capita Personal Income</u>		<u>Personal income (in Thousands)</u>	
	<u>United States</u>	<u>Alabama</u>	<u>United States</u>	<u>Alabama</u>	<u>United States</u>	<u>Alabama</u>
2000	282,171,957	4,451,849	30,318	24,069	8,554,866,000	107,150,846
2001	285,081,556	4,464,034	31,145	25,092	8,878,830,000	112,012,833
2002	287,803,914	4,472,420	31,461	25,806	9,054,702,000	115,413,984
2003	290,326,418	4,490,591	32,271	26,736	9,369,072,000	120,061,467
2004	293,045,739	4,512,190	33,881	28,372	9,928,790,000	128,019,513
2005	295,753,151	4,545,049	35,424	29,843	10,476,669,000	135,636,293
2006	298,593,212	4,597,688	37,698	31,421	11,256,516,000	144,462,607
2007	301,579,895	4,637,904	39,458	32,744	11,899,853,000	151,865,800
2008	304,374,846	4,677,464	40,673	33,900	12,379,745,000	158,568,280
2009	307,006,550	4,708,708	39,626	33,360	12,165,474,000	157,084,638



Note: Year 2009 is the most recent year for which data are available.

Each year's data is updated by the U.S. Department of Commerce.

Sources: Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce

STATE OF ALABAMA

DEMOGRAPHIC AND ECONOMIC INFORMATION

Top Ten Employers in Alabama

Last Ten Years

Employer	2010			2009		
	Employment Range	Rank	% of Total State Employment	Employment Range	Rank	% of Total State Employment
Wal Mart Associates Inc	30,000-39,999	1	1.94%	30,000-39,999	1	1.90%
Army	20,000-29,999	2	1.39%	20,000-29,999	2	1.36%
Mobile Education Board	5,000-9,999	4	0.42%	5,000-9,999	4	0.41%
University Of Alabama In Birmingham	5,000-9,999	6	0.42%	5,000-9,999	6	0.41%
Alabama Power Co Electric	5,000-9,999	7	0.42%	5,000-9,999	7	0.41%
Univ. Of Alabama In Birmingham Medical Center	5,000-9,999	8	0.42%	5,000-9,999	8	0.41%
U S Postal Service	5,000-9,999	3	0.42%	5,000-9,999	3	0.41%
Regions Bank	5,000-9,999	5	0.42%	5,000-9,999	5	0.41%
Pilgrims Pride Corporation	5,000-9,999	9	0.42%	5,000-9,999	9	0.41%
Huntsville Hospital	5,000-9,999	10	0.42%	5,000-9,999	10	0.41%
	95,000-159,990		6.69%	95,000-159,990		6.54%
Employer	2008			2007		
	Employment Range	Rank	% of Total State Employment	Employment Range	Rank	% of Total State Employment
Wal Mart Associates Inc	30,000-39,999	1	1.80%	30,000-39,999	1	1.79%
Army	20,000-29,999	2	1.28%	20,000-29,999	2	1.28%
Mobile Education Board	10,000-19,999	3	0.77%	10,000-19,999	4	0.77%
University Of Alabama In Birmingham	5,000-9,999	6	0.39%	5,000-9,999	6	0.38%
Alabama Power Co Electric	5,000-9,999	7	0.39%	5,000-9,999	9	0.38%
Univ. Of Alabama In Birmingham Medical Center	5,000-9,999	9	0.39%	5,000-9,999	8	0.38%
U S Postal Service	5,000-9,999	4	0.39%	10,000-19,999	3	0.77%
Winn Dixie Montgomery	-	-	-	5,000-9,999	10	0.38%
Regions Bank	5,000-9,999	5	0.39%	5,000-9,999	5	0.38%
Pilgrims Pride Corporation	5,000-9,999	8	0.39%	5,000-9,999	7	0.38%
Huntsville Hospital	5,000-9,999	10	0.39%	-	-	-
	95,000-159,990		6.58%	100,000-169,990		6.89%

Note: All figures are based on March of each year. Percentage of Total State Employment is based on the midpoints in the ranges given. State of Alabama is excluded.

Source: Alabama Department of Industrial Relations - Labor Market Information Division

Employer	2006			2005			2004		
	Employment	Rank	% of	Employment	Rank	% of	Employment	Rank	% of
	Range		Total State Employment	Range		Total State Employment	Range		Total State Employment
Wal Mart Associates Inc	30,000-39,999	1	1.82%	30,000-39,999	1	1.87%	30,000-39,999	1	1.91%
Army	20,000-29,999	2	1.30%	20,000-29,999	2	1.33%	20,000-29,999	2	1.36%
Mobile Education Board	5,000-9,999	3	0.39%	5,000-9,999	3	0.40%	5,000-9,999	3	0.41%
University Of Alabama In Birmingham	5,000-9,999	4	0.39%	5,000-9,999	4	0.40%	5,000-9,999	5	0.41%
Alabama Power Co Electric	5,000-9,999	5	0.39%	5,000-9,999	7	0.40%	5,000-9,999	6	0.41%
U. Of Ala In Bham Medical Center	5,000-9,999	6	0.39%	5,000-9,999	8	0.40%	5,000-9,999	9	0.41%
U S Postal Service	5,000-9,999	7	0.39%	5,000-9,999	9	0.40%	5,000-9,999	8	0.41%
Gold Kist Inc	5,000-9,999	8	0.39%	5,000-9,999	10	0.40%	5,000-9,999	10	0.41%
Winn Dixie Montgomery	5,000-9,999	9	0.39%	5,000-9,999	6	0.40%	5,000-9,999	7	0.41%
Regions Bank	5,000-9,999	10	0.39%	-	-	-	-	-	-
Brunos Supermarkets Inc	-	-	-	5,000-9,999	5	0.40%	5,000-9,999	4	0.41%
	90,000-149,990		6.24%	90,000-149,990		6.40%	90,000-149,990		6.54%
Employer	2003			2002			2001		
	Employment	Rank	% of	Employment	Rank	% of	Employment	Rank	% of
	Range		Total State Employment	Range		Total State Employment	Range		Total State Employment
Wal Mart Associates Inc	30,000-39,999	1	1.92%	20,000-29,999	1	1.37%	20,000-29,999	1	1.34%
Army	15,000-19,999	2	0.96%	15,000-19,999	2	0.96%	15,000-19,999	2	0.94%
Mobile Education Board	5,000-9,999	3	0.41%	5,000-9,999	4	0.41%	5,000-9,999	5	0.40%
University Of Alabama In Birmingham	5,000-9,999	5	0.41%	5,000-9,999	6	0.41%	5,000-9,999	6	0.40%
Alabama Power Co Electric	5,000-9,999	7	0.41%	5,000-9,999	9	0.41%	5,000-9,999	9	0.40%
U. Of Ala In Bham Medical Center	5,000-9,999	10	0.41%	-	-	-	-	-	-
U S Postal Service	5,000-9,999	8	0.41%	5,000-9,999	8	0.41%	5,000-9,999	8	0.40%
Gold Kist Inc	-	-	-	5,000-9,999	10	0.41%	-	-	-
Winn Dixie Montgomery	5,000-9,999	6	0.41%	5,000-9,999	5	0.41%	5,000-9,999	3	0.40%
Brunos Supermarkets Inc	5,000-9,999	4	0.41%	5,000-9,999	3	0.41%	5,000-9,999	4	0.40%
BellSouth Telecommunications	5,000-9,999	9	0.41%	5,000-9,999	7	0.41%	5,000-9,999	7	0.40%
Russell Corporation	-	-	-	-	-	-	5,000-9,999	10	0.40%
	85,000-139,990		6.18%	75,000-129,990		5.63%	75,000-129,990		5.51%

Note: All figures are based on March of each year. Percentage of Total State Employment is based on the midpoints in the ranges given. State of Alabama is excluded.

Source: Alabama Department of Industrial Relations - Labor Market Information Division

STATE OF ALABAMA

OPERATING INFORMATION

State Government Employment by Function

Last Nine Years

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Primary Government					
Governmental Activities:					
Economic Development and Regulation	802	881	881	882	836
Education and Cultural Resources	1,254	1,200	1,226	1,210	1,117
Natural Resources and Recreation	1,451	1,454	1,608	1,378	1,460
Health	5,626	5,513	5,644	5,493	5,167
Social Services	6,108	5,966	5,968	6,163	6,277
Protection of Person and Property	8,521	8,445	8,317	8,057	7,842
Transportation	5,363	5,301	5,368	5,263	5,169
General Government	4,587	4,686	4,731	4,458	4,173
Total Governmental Activities	33,712	33,446	33,743	32,904	32,041
Business-type Activities:					
Alcoholic Beverage Control Board	902	901	898	895	851
State Port Authority	185	193	200	184	165
Alabama College System	1,950	1,937	1,916	1,885	1,792
Total Business-Type Activities	3,037	3,031	3,014	2,964	2,808
Total Primary Government	<u>36,749</u>	<u>36,477</u>	<u>36,757</u>	<u>35,868</u>	<u>34,849</u>

Note: Includes State Merit System, House, Senate, and Administrative Office of the Courts.

Sources: Alabama Personnel Department
Alabama Commission on Higher Education
Alabama Administrative Office of the Courts
Alabama House of Representatives

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
824	835	893	899
1,104	1,086	1,092	1,111
1,383	1,486	1,575	1,622
4,890	4,818	5,081	4,931
6,313	6,323	6,488	6,768
7,733	7,590	7,583	7,395
5,138	5,013	4,981	4,688
4,124	4,166	4,482	4,495
<u>31,509</u>	<u>31,317</u>	<u>32,175</u>	<u>31,909</u>
778	753	746	760
150	142	119	119
1,766	1,796	1,750	1,702
<u>2,694</u>	<u>2,691</u>	<u>2,615</u>	<u>2,581</u>
<u><u>34,203</u></u>	<u><u>34,008</u></u>	<u><u>34,790</u></u>	<u><u>34,490</u></u>

STATE OF ALABAMA

OPERATING INFORMATION

Indicators of Demand or Level of Service

Last Five Fiscal Years

	2010	2009	2008	2007	2006
Economic Development and Regulation					
Forestry Commission					
Number of fires	2,314	2,094	2,450	4,591	4,932
Average acres burned	11	11	10	16	15
Agriculture and Industries					
Pounds of meat and poultry processed under inspection	111,056,537	97,868,453	105,603,617	88,835,448	88,823,389
Educational and Cultural Resources					
Education Department					
Teacher certificates issued	n/a	n/a	n/a	48,840	52,024
Number of local schools supported	1,520	1,376	1,550	n/a	n/a
Number of children served	739,198	739,197	744,000	n/a	n/a
Natural Resources and Recreation					
Conservation and Natural Resources					
Number of guests to outdoor recreational sites	3,758,217	3,366,161	3,082,009	3,031,646	2,961,506
Acres of land managed	210,834	198,802	197,451	10,946	8,298
Number of registered boats	248,514	271,206	273,406	273,987	243,483
Health - Physical and Mental					
Public Health					
Vital records issued	432,547	479,904	517,723	584,475	501,984
Medicaid					
Citizens enrolled monthly	878,232	821,602	765,616	732,970	n/a
Claims processed monthly	2,848,694	2,700,907	2,180,736	4,819,280	4,419,711
Social Services					
Industrial Relations					
Employment Security claims	359,287	506,603	285,075	237,697	237,389
Human Resources					
Number of visits to licensed child care centers	3,254	3,435	4,060	3,650	2,946
Child support caseload	229,000	229,635	228,479	228,019	229,078
Households receiving food assistance	344,788	280,625	231,470	226,855	209,316
Number of child abuse/neglect assessments	n/a	n/a	29,301	28,566	27,216
Protection of Persons and Property					
Department of Corrections					
Number of inmates	25,390	25,854	25,303	27,062	24,159
Public Safety					
Arrest tickets issued	533,220	568,505	538,910	407,289	324,627
Accidents investigated	30,520	30,904	33,115	31,939	36,147
Pardons and Paroles					
Number of board hearings	10,284	12,954	12,158	11,546	13,375
Number of offenders supervised	71,578	67,579	66,196	58,862	49,269
Forensic Sciences					
Number of death cases investigated	2,403	2,512	4,098	3,607	3,756
Transportation					
Transportation Department					
Roadway miles	10,876	10,877	10,875	11,235	10,846
Bridges	5,374	5,368	5,362	5,683	5,328
General Government					
Administrative Office of Courts					
Caseload	2,589,067	2,611,460	2,589,796	2,353,372	2,041,982
Revenue Department					
Number of payments received	3,318,271	3,296,454	3,304,603	n/a	n/a

STATE OF ALABAMA

OPERATING INFORMATION

Indicators of Volume, Usage, and Nature of Capital Assets

Last Seven Fiscal Years

(Amounts in Thousands)

	2010	2009	2008	2007	2006	2005	2004
Economic Development and Regulation							
Forestry Commission							
Buildings	160	159	142	142	142	142	142
Vehicles	379	380	371	397	326	322	307
Heavy Equipment	654	657	671	690	682	741	715
Educational and Cultural Resources							
Education Television							
Buildings	26	26	24	24	24	24	24
Natural Resources and Recreation							
Conservation and Natural Resources							
Buildings	678	668	659	631	611	609	604
Vehicles	760	778	774	759	689	672	645
Heavy Equipment	214	211	207	211	212	210	213
Health							
Environmental Management							
Vehicles	183	163	178	189	196	192	172
Social Services							
Human Resources							
Buildings	31	30	31	30	30	30	30
Protection of Persons and Property							
Agriculture and Industries							
Vehicles	246	249	234	233	236	222	186
Corrections							
Buildings	370	370	362	362	362	362	345
Vehicles	446	421	446	448	404	332	332
Military							
Buildings	665	669	680	642	688	688	688
Public Safety							
Vehicles	1,353	1,275	1,375	1,357	1,159	1,287	1,062
Youth Services							
Buildings	115	118	119	118	118	118	118
Vehicles	106	103	101	96	89	82	74
Pardons and Paroles							
Vehicles	321	322	305	262	252	248	211
Transportation							
Transportation							
Buildings	510	510	501	473	472	472	471
Vehicles	2,039	2,062	2,343	2,379	2,356	2,389	2,241
Heavy Equipment	1,093	1,061	1,146	1,127	1,130	1,184	1,138
General Government							
Administrative Office of Courts							
Vehicles	23	22	20	17	7	7	7
Revenue Department							
Vehicles	29	26	27	27	27	37	24